leg-wohnen.de

2020

The value of living.

Annual Report

LEG

gewohnt gut.

Brief portrait

With around 145,000 rental properties, approximately 400,000 tenants and some 1,600 employees (as at 31 December 2020), Dusseldorf-based LEG is one of Germany's leading listed housing companies. The company is listed on the MDAX and generated rental and lease income of around EUR 861 million in the 2020 financial year. As the biggest landlord in North Rhine-Westphalia, Germany's most populous state, in addition to being active in other states in western Germany, it serves the growing demand for housing for low and medium-income earners. The company focuses entirely on the "affordable living" segment, and exclusively in Germany, on the principle of "pure play".

A consistently value-driven business model with a focus on growth and customers combines the interests of shareholders, society and tenants. Customer satisfaction is especially important to LEG. It is therefore constantly striving to further improve the quality of its service by focusing on its target group, neighbourhood management and personal service. LEG fulfils its social responsibility also via its two foundations, the established "LEG NRW Tenant Foundation" and "Your Home Helps", created at the end of 2019.

Targeted and sustainable investments ensure the quality of LEG's property portfolio and meet growing customer needs. The company places particular emphasis on measures to protect the climate and making its portfolio more energy-efficient. As part of the new construction initiative launched in 2018, LEG also makes a social contribution toward creating both free-financed and subsidised housing. Starting in 2023, the company will either construct or purchase at least 500 new-build residential units each year.

The environmental and social progress made by LEG and its consistently good corporate governance have been recognised by international ratings agencies that specialise in assessing these ESG (Environment, Social, Governance) criteria. At the end of 2020, the internationally acknowledged Sustainalytics ESG Risk Rating ranked LEG among the top three of 135 housing companies.

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Key figures

T1

		2020	2019	+/– %/bp
Results of operations				
Rental income	€ million	627.3	586.1	7.0
Recurring net rental and lease income	€ million	493.0	453.2	8.8
EBITDA	€ million	1,619.6	1,310.1	23.6
EBITDA adjusted	€ million	466.9	426.5	9.5
EBT	€ million	1,395.0	1,051.3	32.7
Net profit or loss for the period	€ million	1,364.5	821.1	66.2
FFO I	€ million	383.2	341.3	12.3
FFO I per share	€	5.44	5.27	3.2
FFO II	€ million	381.3	327.9	16.3
FFO II per share	€	5.41	5.06	6.9
AFFO	€ million	92.8	134.6	–31.1
AFFO per share	€	1.32	2.08	–36.5
Dividend per share	€	3.78	3.60	5.0
Portfolio		**31.12.2020**	**31.12.2019**	**+/– %/bp**
Number residential units		144,530	134,031	7.8
In-place rent	€/sqm	5.94	5.82	2.1
In-place rent (l-f-l)	€/sqm	5.96	5.83	2.3
EPRA vacancy rate	%	2.8	3.1	–30 bp
EPRA vacancy rate (l-f-l)	%	2.6	2.9	–30 bp
Statement of financial position		**31.12.2020**	**31.12.2019**	**+/– %/bp**
Investment property	€ million	14,582.7	12,031.1	21.2
Cash and cash equivalents	€ million	335.4	451.2	–25.7
Equity	€ million	7,389.9	5,933.9	24.5
Total financing liabilities	€ million	5,869.0	5,053.9	16.1
Current financing liabilities	€ million	491.3	197.1	149.3
LTV	%	37.6	37.7	–10 bp
Equity ratio	%	48.4	45.9	+250 bp
Adj. EPRA NAV, diluted	€ million	9,264.3	7,273.0	27.4
Adj. EPRA NAV per share, diluted	€	122.65	105.39	16.4
EPRA-NTA, diluted	€ million	9,247.6	7,254.5	27.5
EPRA-NTA per share, diluted	€	122.43	105.12	16.5

bp = basis points

EUR 383.2 million

In 2020, LEG could increase FFO I, the most important earnings indicator for the property industry by 12.3 % to EUR 383.2 million.

37.6 %

Net debt in relation to property assets (LTV) was 37.6 % at fiscal year-end reflecting our low risk profile.

9,535

In 2020, we acquired 9,535 residential units overall, almost 8,300 of which were located outside North Rhine-Westphalia. As at 1 January 2021, the number of our units increased to around 145,000.

EUR 3.78

The Management Board and the Supervisory Board intend to propose a dividend of EUR 3.78 per share at the Annual General Meeting for the 2020 financial year.

Together through the coronavirus crisis

Germany's federal and state governments agreed on tough restrictions on movement and contact on 22 March 2020. Millions of Germans were affected by the closure of schools and workplaces, and by the social and economic repercussions. In the days leading up to this, LEG's crisis task force and Board had discussed actions it could take to provide its customers with safe, liveable housing during this serious crisis, as well as ensuring its employees had a safe place to work. LEG summarised in excerpts many initiatives in its 10-point paper of 21 March 2020, "Together through the coronavirus crisis". We have reproduced it below with some examples of how it was put into practice.

1.

Safety First – Services switched to digital where possible

Our top priority is to protect our customers and our employees. At the same time, we want to maintain our business operations through the crisis and provide our customers with a decent standard of service. We are currently doing this mainly online and by telephone. Where physical contact cannot be completely avoided, strict protective measures apply.

7,000

We offer contactless leasing, from viewing the property (virtually or with key code access) through to digital lease agreements. 7,000 customers have already taken advantage of this.

2.

LEG suspends rent increases on a wide scale

We have temporarily waived the option of adjusting rents in line with comparable standard local rents as per s. 558 of the German Civil Code (BGB). This is our way of demonstrating solidarity and social responsibility in the face of the coronavirus pandemic and easing the burden on our customers.

6,900

6,900 customers have benefited from the deferral of rent adjustments.

3.

Tenants to stay in their homes – no termination of rental agreements, no evictions, termination notices can be withdrawn

When the pandemic began, we stopped going ahead with rent and eviction suits. If tenants were unable to pay their rent on account of the coronavirus crisis, we worked with them to put instalment plans in place, with a deferral of rent payments of up to six months. We also allowed customers to withdraw their own notices terminating their tenancy arrangements. We put all these measures in place because we want people to be able to keep a roof over their heads.

4.

Keeping commercial tenants and supporting small businesses

Corner stores, cafés, hairdressers and grocery shops add life to our neighbourhoods. But small business operators are currently losing income. That's why we're offering our commercial tenants support in the form of flexible deferral arrangements and individual relief measures.

1,600

By extending our goodwill arrangement to six months, we were able to help some 1,600 customers (with one focus on commercial tenants) through difficult financial times brought on by the coronavirus.

5.

Special offers for all our essential workers

For all our essential workers (e.g. doctors, nurses, members of the police and fire services) who put their health on the line and perform to capacity every day for the good of society as a whole, we had a special offer: As a small thank-you we were offering them a 20 percent discount on the basic rent when they leased a new LEG apartment for more than two years – until 30 September 2022. This offer applied to all relevant agreements entered into from March until September 2020.

> 300

Between March and September 2020 we entered into more than 300 discounted lease agreements with essential workers and distributed 100 edible treat packages at hospitals.

6.

Finding housing – Strengthened commitment to the homeless

As part of the "Home at Last!" state initiative, we are currently offering our partners engaged in helping the homeless (including SKF Cologne, the initiative "108 Homes for Duisburg", the Düsseldorf City Housing Agency, and the Rhein-Sieg Housing Network) additional support to avoid having to house people in communal accommodation. In the past eighteen months we have already been able to offer many people a new roof over their heads through the initiative.

180

In 2020 we increased the number of housing units we have available for the homeless to 180, and have also joined two further local alliances since we started the initiative.

7.

Staying supplied – Helping neighbours

As early as 16 March 2020, we wrote to our tenants and asked them to help organise initiatives in their apartment buildings and neighbourhoods. The assistance offered ranges from running minor errands to helping working parents look after their children. Our hired promoters, who normally organise our tenant parties, also provided support for elderly LEG tenants in our senior citizens' quarters.

30,000

In addition to preparing 30,000 letters in several languages to tenants to organise neighbourhood assistance, we gave gifts of cooking boxes and tablets as a thank-you to particularly committed neighbours, our "tenant coronavirus heroes".

8.

Feeling at home – Distractions permitted

Children and older people suffer most from social contact restrictions. To offer some distraction, we have put "play boxes" in place in our larger LEG neighbourhoods, where tenants could help themselves to puzzle books, children's literature and crayons.

500

For Easter, during Advent and simply in between times, we prepared 500 surprise boxes in large LEG neighbourhoods, as well as arranging holiday programmes for families and holding outdoor concerts.

9.

New foundation "Your Home Helps" provides EUR 1 million for coronavirus aid measures

Our new foundation created and sponsored many initiatives in 2020, providing assistance to tenants and households particularly affected by the coronavirus crisis.

>10,000

With a total of 28 different projects and around 50 partners, mainly those working with young people and the elderly, for charities and in digital education, the foundation provided assistance to well over 10,000 people.

10.

Protecting employees, supporting families – Promoting work flexibility

In a multi-stage process we switched our entire business operations, apart from specific emergency functions, over to a work-from-home system. This ensures maximum safety and flexibility for our employees and their families.

100 %

Up to 80 per cent of our employees work from home, and 100 per cent have digital work stations. LEG employees with children also benefited from 4,423 paid hours of childcare.

2

TO THE SHAREHOLDERS

Letter from the Management Board

„OUR BUSINESS IS STRUCTURED FOR THE LONG-TERM AND IS CRISIS-RESISTANT. THAT MEANS SUSTAINABILITY IS A LOT MORE THAN JUST A BUZZWORD FOR US.“

LARS VON LACKUM (CEO)

„COST CONSCIOUSNESS AND OPERATIONAL EXCELLENCE ARE PART OF OUR DNA.“

SUSANNE SCHRÖTER-CROSSAN (CFO)

„THE VALUE OF YOUR OWN HOME AND IMMEDIATE LIVING ENVIRONMENT HAS BECOME EVEN MORE EVIDENT.“

DR VOLKER WIEGEL (COO)

Letter from the Management Board

Dear Shareholders and friends of the company,

2020 was a year that brought its very own challenges for us all.

The spread of the Covid-19 pandemic has led to a crisis that eclipses everything the global economy and international community have experienced in our lifetimes so far. Covid-19 is a stress test for solidarity of our society and the viability of business models. However, thanks to the extraordinary dedication of our employees and through open communication with our customers, LEG has mastered this challenge extremely well.

Our clear focus on affordable living in Germany has proven viable, both financially and strategically. Moreover, the pandemic has further highlighted the value of our home and our immediate living environment. We currently manage 145,000 residential units and provide homes for nearly 400,000 people. Our mature, scalable management platform allows us to offer reliable and reasonably priced services to our customers. At the same time, we take into consideration local challenges and individual circumstances. During difficult times like this our responsibility for our tenants, employees and society overall becomes more relevant than ever. The title of this report is meant to convey all of these aspects: LEG – The value of living.

Giving value back to society

We responded quickly and with dedication when the impact of the coronavirus pandemic started to emerge in early 2020. On 21 March 2020, we were the first company in the sector to put extensive measures in place to protect our customers and employees, in the form of our 10-point paper "Together through the coronavirus crisis" > 10-point paper, page 5 f. We believe in being fair, and go well beyond regulatory requirements to provide our tenants with the certainty of a good and secure home, even when they face financial difficulties. At the same time, we ensure our employees have a good and truly safe workplace. In addition, the foundation we established at the end of 2019, "Dein Zuhause hilft" ("Your Home Helps"), made EUR 1 million available for various forms of coronavirus-related assistance, to make life a little easier for families, senior citizens and essential workers.

We were able to take these measures thanks to our prudent capital structure and our robust business model.

What the key figures for 2020 show

FFO I (Funds from Operations), the key performance indicator in our sector, increased by 12.3 % to EUR 383.2 million, thus slightly exceeding the forecast range. Average in-place rent on a like-for-like basis increased by 2.3 % overall. At the same time, vacancies on a like-for-like basis were at 2.6 % as at the end of 2020, a level structurally equivalent to full occupancy. Our EBITDA margin, the key indicator for operational efficiency, was 74.4 %. During the reporting year, we acquired more than 9,500 housing units, despite coronavirus restrictions and tense market conditions. We financed this significant external growth via a capital increase and by issuing convertible bonds, both of which were oversubscribed several times.

We were able to reduce average interest costs to 1.33 per cent, while our liabilities had an average maturity of 7.4 years. Net gearing in relation to property assets (loan-to-value, LTV) was 37.6 per cent as at the end of the reporting period, highlighting LEG's defensive risk profile. Moreover, the value of the company appreciated significantly once again: NAV per share rose by 16.4 % year on year to EUR 122.65.

Dividend proposal

The Management Board and Supervisory Board will propose a dividend of EUR 3.78 per share for the 2020 financial year at the Annual General Meeting on 27 May 2021. The proposal translates into a distribution of EUR 272.5 million in total, that is 5.0 % higher than in the previous year.

LEG aims to distribute 70 % of FFO I as a dividend to its shareholders on a long-term basis. Due to the increase in the number of shares, however, there will be a one-off increase in the distribution ratio for the dividends to 71.1 % of FFO I for the 2020 financial year.

Based on the end-of-year share price in 2020, the dividend yield amounts to 3.0 %.

Strong performance in core business

Our core business of successful leasing, good-quality property management and portfolio development is based on a strong customer focus and a close relationship with our customers. In our "affordable living" segment, that means keeping in mind what customers can afford. That is exactly what we do: cost consciousness and operational excellence are part of our DNA. We are continuously improving our processes to become faster and more efficient, and to get even closer to our customers. We adopted digital solutions at an early stage. > page 13 Despite the coronavirus crisis, our leasing performance was one of the best in LEG's history, and we have been able to improve tenant loyalty even further, with customers now renting with LEG for 12 years on average. In terms of like-for-like rental growth, we voluntarily restricted ourselves due to the crisis, in order to avoid overburdening our customers, while continuing to work on our strategies of making smart and socially responsible use of available rental potentials.

Making value-creating investments in modernising residential units to substantially improve our customers' living environment was one of our focus areas in 2020. For example, we recently began offering standardised packages for bathroom upgrades and for fitting of additional safety features. We paid particular attention to developing new strategies to upgrade the energy-efficiency of our properties both quickly and at a reasonable cost. In Mönchengladbach, we are designing one of Germany's first "living lab" for serial refurbishment in close collaboration with German Energy Agency, dena. We have also been included in a European Commission programme to develop new procedures for energy-efficient refurbishment. Overall, in 2020 we invested more than ever before in modernising and upgrading, refurbishing vacant properties and maintenance, at EUR 41 per square metre. > Strategy pages with multiple examples from page 14 onwards.

We obtained further insights into our customers' expectations via an online customer satisfaction survey. In 2020, we also continued our meetings with the Customer Advisory Council, which we established in 2019, and talks with our tenants on the ground in our neighbourhoods (to the extent permitted by coronavirus restrictions). For us as the Management Board, it is important to attend these meetings in person and to learn about our customers' concerns directly from them.

Further expanding the value chain

In 2020, we again decided to expand the range of additional services to create value both for our customers and for you as our shareholders. Those who know LEG will already be aware of our products in the areas of cable TV/multimedia, power services and repair services. By offering additional products, constantly increasing their availability throughout our established neighbourhoods and incorporating newly acquired properties, we are making these services available to a growing number of people.

In October 2020, the acquisition of Fischbach Service GmbH, a project management company focused on vacant property refurbishment, added a fourth pillar to our value-added services. This company has previously been responsible for renovating about one-quarter of vacant LEG properties, which it did on time and to a high quality standard. Key rationale for taking over this high-margin business are financial considerations and the opportunity to improve our in-house processes for our customers' benefit.

In addition, for the third consecutive year we have been investing to a reasonable degree in new buildings and project development in locations with an urgent need for additional housing.

Further acceleration of external growth

As experts in affordable living, we hope to further bolster our position as market leaders in our home market of North Rhine-Westphalia (NRW) and to expand our property holdings in other Western German states with structures similar to NRW.

The acquisition of a total of 9,535 units in 2020 represented a further strong increase in our pace of growth. We achieved our target of an additional 7,000 housing units for 2020 already in summer. Significant contributions to this growth came from the acquisition of a large portfolio of 6,380 units from Deutsche Wohnen SE with a regional focus on Germany's north-west (Hanover/Brunswick), the economically strong Rhine-Neckar area and in Koblenz, in addition to the purchase of 1,100 units from a private seller in Flensburg in June 2020. A whole raft of small to medium-sized purchases further bolstered our regional presence in Rhineland-Palatinate, Hesse, Bremen, and various urban and rural districts in Lower Saxony and North Rhine-Westphalia. The portfolio growth in 2020 increased the share of residential units outside NRW from 3 % to currently 8 %.

We enjoy high visibility in the market and have an excellent reputation as a focused property manager that offers low to middle-income tenants a secure and good quality home. For 2021, we are therefore planning to acquire a further 7,000 units. Our stringent acquisition criteria will continue to apply, especially with regard to the intrinsic value of our purchases.

Your LEG – the pure play company in the German housing sector

In 2020, we further sharpened our profile as the property company in Germany that focuses on the residential segment for broad parts of the population. That means we are the "pure play" company in the German housing sector. The success of our business shows that the affordable housing we offer and where we offer it is precisely the product that people need. This is even clearer now, through the lens of the coronavirus pandemic.

We believe we are best positioned for future challenges thanks to our clear and stable business model, our high level of professionalism, our depth of added value and our rate of growth.

Therefore, we reaffirm the outlook published in November 2020: Depending on the further impact of the coronavirus pandemic, we expect FFO I for 2021 to be in the range of EUR 410 – 420 million. This does not take account of the effects of potential portfolio acquisitions and disposals.

Sustainability statement

For 50 years, we (including the former Landesentwicklungsgesellschaft NRW) have been managing, upgrading and renewing our properties. Therefore, our business is structured for the long-term. That means sustainability is a lot more than just a buzzword for us. We are committed to high standards in terms of environmental, social and governance (ESG) criteria, which is also reflected in the new Management Board remuneration system. > see Remuneration report, page 83 We set the standards in this area, with major investments in climate protection; our traditionally high level of social responsibility, with subsidised properties currently accounting for about 25 per cent of our holdings; and the successful launch of our "Your Home Helps" foundation.

We have adapted our reporting structures to enable end-to-end documentation of our ESG activities in the future on > pages 95 – 100 of this 2020 Annual Report contain the compressed non-financial company report in accordance with s. 315b of the German Commercial Code (HGB). We will publish the corresponding 2020 LEG Sustainability Report in May, containing comprehensive data and many new details. Our improved sustainability ratings are an acknowledgement and proof of our active management of all ESG factors. > see pages 20 and 99

Striking a good balance between cost-effectiveness, customer orientation and climate protection is a key aspect of our long-term success model. It requires an open interaction with, and a high level of acceptance from, all our stakeholders – in other words, customers, employees, business partners, policy-makers, civil society and, of course, investors. We received an extremely high level of acknowledgment last year for our judicious handling of the economic, social and societal repercussions of the coronavirus pandemic. We would like 2021 to be a seamless continuation of those activities. Our thanks, therefore, go to the entire staff of LEG, our customers, all our partners and especially you, our shareholders for your continued support. We hope we will continue to enjoy your trust in the future.

LARS VON LACKUM
Chief Executive Officer (CEO)

SUSANNE SCHRÖTER-CROSSAN
Chief Financial Officer (CFO)

DR VOLKER WIEGEL
Chief Operating Officer (COO)

Our strategy 2025 – successful in times of coronavirus

Last year we reported in this section on our strategy process in 2019 > Annual Report 2019. We stated that having a clear strategic profile is one of our defining features. We're therefore continuing to focus on our investment category of residential property and the affordable living segment. We've also expanded our regional presence beyond NRW to include other federal states in Western Germany, but will not be extending our activities beyond Germany's borders. These are the markets, products and customers we are most familiar with. No-one is better placed than us in this regard. We are what the capital market calls a **"pure play"** in the truest sense of the expression. Our clear focus on residential properties is part of the reason we've come through the coronavirus crisis well so far. Moreover, we've made further advances in all our major strategy areas in spite of the pandemic.

A walk through our **Strategy House 2025** > page 37 makes this clear. It's a robust structure built around three pillars: **optimising our core business**, **extending our value chain**, and **enhancing our portfolio** – all built on a solid foundation of **financial stability**. The overarching aim, the roof of the house so to speak, is to meet our **corporate responsibility** objectives. This includes taking account of the three **ESG criteria**, in other words environmental aspects (E), social aspects (S), and good corporate governance (G). And finally, our **focus on our customers and employees** as well as **digitisation** bring the entire house to life.

Optimising our core business

Optimising our core business is an ongoing strategic task, enabling us to offer our customers attractive, affordable housing, and guaranteeing our investors a decent return on their capital. That's why it's important to satisfy current customer expectations in terms of value for money, to leverage rent potential with the necessary fairness, and to structure our business as efficiently and with as much cost-awareness as possible.

It may sound mundane, but when the pandemic broke out, the top item on our agenda was to minimise the disruption to our business activities, while of course paying particular attention to the relevant coronavirus regulations in place to keep our customers and employees safe.

"OUR AGILE RESPONSE TO CHANGED CUSTOMER NEEDS MEANT WE ACHIEVED ONE OF OUR BEST RENTAL RESULTS IN 2020 DESPITE THE PANDEMIC."

DR KATHRIN KÖHLING, MANAGING DIRECTOR OF LEG WOHNEN

We succeeded very well in doing this thanks to our high level of professionalism, clear organisational structures and digital processes.

Since 2017, LEG has had digital solutions in place for customer communications, such as the LEG tenant app and portal. In October 2019 we introduced the option of a digital lease agreement for new tenancies, and more than 7,000 new customers have taken up the offer to date. During the first lockdown, we also swiftly set up a process for "contactless leasing", in which potential tenants could view the premises on-site on their own. This was very well received.

Overall, LEG achieved the best rental performance we've ever been able to report.

In addition, our collaboration with Amazon Key since December 2020 – currently the only such arrangement in Germany – has expanded the range of digital services available to our customers to include contactless package delivery. LEG is also the first residential company to offer entirely digital guarantees for rental security deposits. Behind the scenes, highly efficient robots and cobots perform standardised tasks, for example in Receivables Management or central customer service calls management, thus freeing up resources for handling more complex customer concerns.

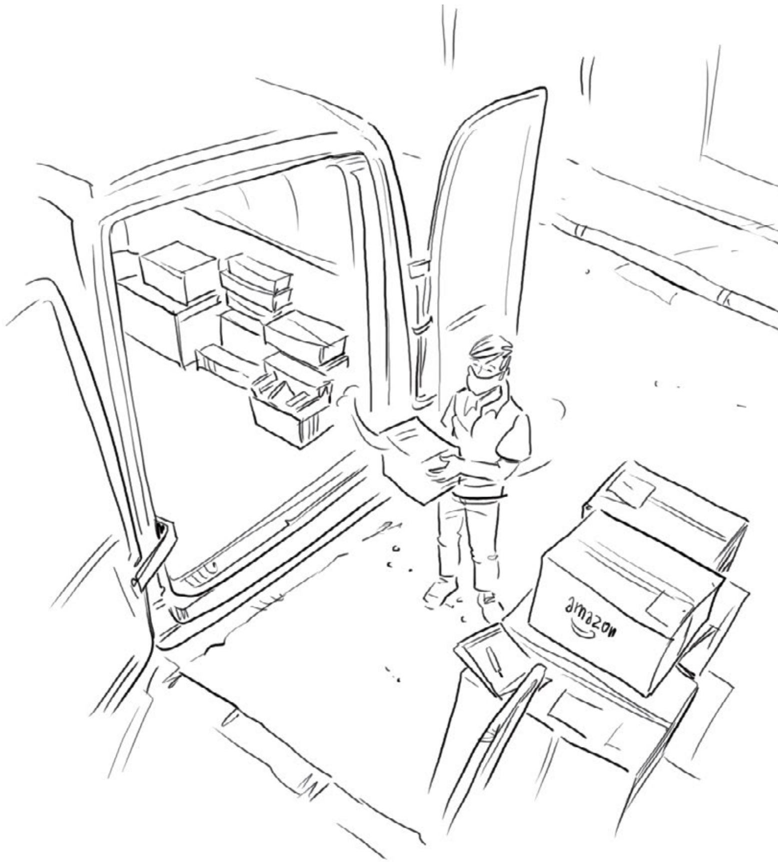
Ultimately, a lot can be done digitally, but not everything. In 2020, we were able to offer our customers targeted and candid advice to help them through tight financial situations brought on by the pandemic. Among other things, this was thanks to the knowledge gathered by an additional Receivables Management competence team created specifically for this purpose. Overall, we needed to agree on rent deferrals or instalment plans with less than one percent of our customers overall.

Something else that isn't digital: the selected playgrounds and recreational areas in our neighbourhoods that we are continuously upgrading since the end of 2019 with a budget of nearly EUR 2 million. When the rules were relaxed early in the summer after the first lockdown, these offered a welcome change for families with children in particular.

And in 2020 we also postponed by several months our programme to refurbish about 1,000 lifts, so as not to add construction noise and dirt to our tenants' living environment.

To avoid overburdening our customers, we made a conscious decision to waive rent increases at the beginning of the crisis. At the same time, the pandemic led to increased demand from many people for additional living comfort and a willingness to pay a higher rent in return. This opens up additional rent potential for us, and strengthens us in our investment strategy of adding value, enhancing energy efficiency and protecting the climate.

For 2021, we have budgeted EUR 40 to 42 per square metre to upgrade and maintain our housing portfolio. In addition to comprehensive refurbishment plans for buildings and neighbourhoods, we also offer our customers additional products for their own homes, such as bathroom upgrades or additional security modules for doors and windows.



Expanding our value chain

Our home really was the focal point of our lives in 2020. And that lends credence to our strategy of being more than "just" a landlord. We further expanded our housing services and continued our new-build programme as planned in spite of the pandemic.

"MOVE IN AND FEEL AT HOME: THAT'S WHAT LWS PLUS IS ALL ABOUT."
YUNUS KÖSE, MANAGING DIRECTOR OF LWS PLUS

On 1 October 2020, we acquired Fischbach Service GmbH, a project controller with experience in renovating vacant properties. This new wholly-owned subsidiary of LEG, which now trades under the name LWS Plus, adds a fourth pillar to the existing product range of power services, cable TV and minor repairs. Key motivations for this acquisition were financial considerations and an opportunity to further improve customer satisfaction. The business model of LWS Plus is scalable, with high margins. This firm, with its long tradition and roots in NRW, also stands for on-time delivery and good quality – which means that even when tradesmen are scarce we continue to ensure that new LEG customers can always count on being able to move into their newly renovated homes on time.

We also expanded our energy services once again. Our energy subsidiary ESP further enlarged its partner network, so we can now offer green electricity on attractive terms to our tenants at almost all LEG locations, in addition to supplying heating gas for customers who look after their own heating needs. In collaboration with our partner Vodafone, we also ensure more than 80 per cent of our customers can enjoy TV, telephone and internet access as soon as they move in. Unlike individual contracts, the package can also include additional services upon request at no additional cost.

Since 2017, our subsidiary TSP, a joint venture with market leader B&O, has been reliably attending to minor repairs and damage at our properties. The main consideration in this area in the pandemic year of 2020 was to organise services for tenants and employees as safely and as comprehensively as possible. And we succeeded: Even during the lockdown the TSP team was able to maintain our 24/7 emergency service throughout, while observing all safety requirements, and was there for our customers whenever urgently required.

Also our new-build strategy is about more than just letting living space. Starting in 2023, we aim to make about 500 newly built residential units available each year in the locations with the strongest demand. In this way, LEG is playing its part by steadily expanding its available portfolio in the locations where affordable living is most needed. In 2020 we acquired project developments involving about 260 housing units, most of which are subsidised. And in the spring we were able to complete and rent out 38 new-build housing units of our own within the planned timeframe.

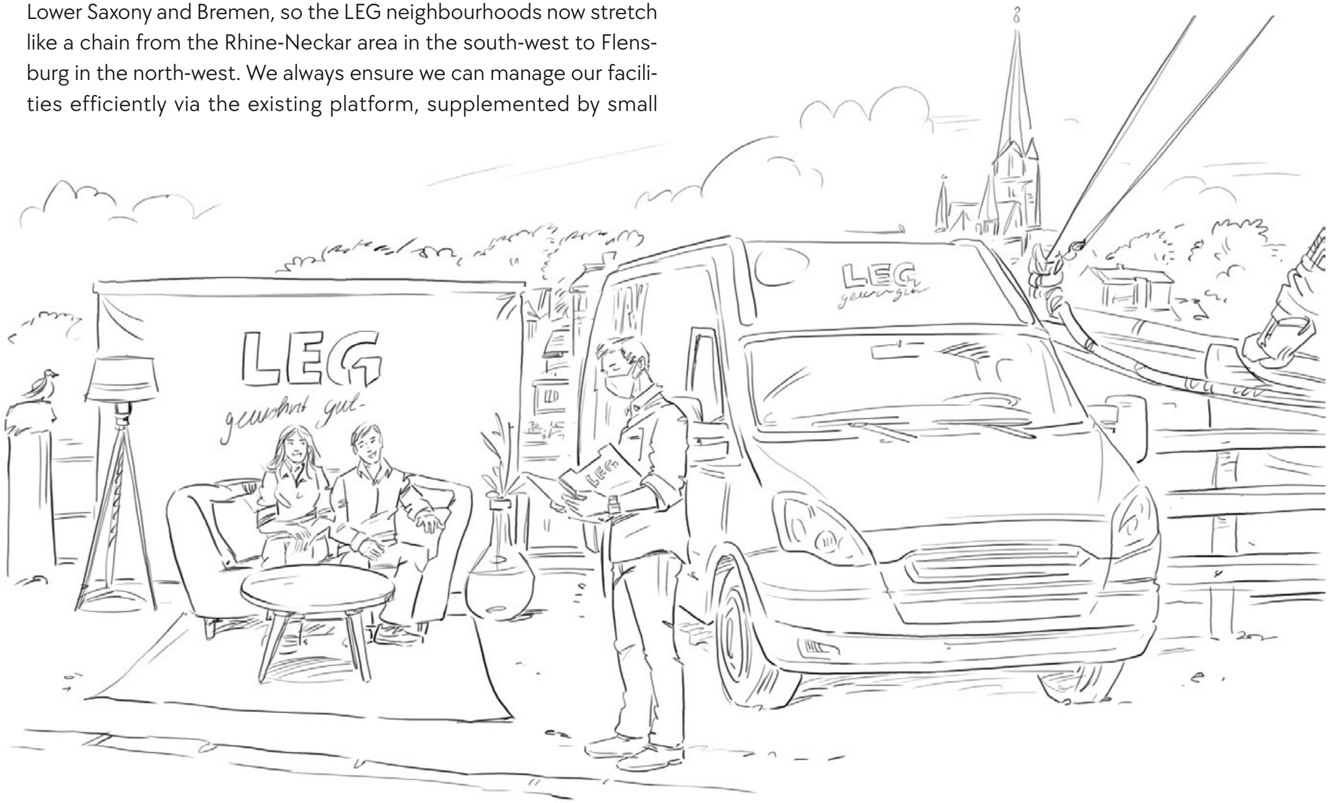
Targeted portfolio management

We aim to continuously improve the quality of our growing residential portfolio. Despite the impact of the coronavirus, we grew very strongly during 2020 and also further expanded our market position beyond our home state of North Rhine-Westphalia (NRW) – always in compliance with our stringent acquisition criteria.

In 2020, LEG registered the purchase of more than 9,500 properties and expanded its portfolio to around 145,000 residential units. We made several purchases outside our home state of NRW – continuing on course with the programme we began in 2019 to offer quality living at fair prices in other states in Western Germany. We built up or expanded our regional presence in Rhineland-Palatinate (3,200 units), Lower Saxony (2,700) and Schleswig-Holstein (1,100) in particular. We had already expanded our portfolio in Rhineland-Palatinate in 2019, and acquired our first sizeable portfolio in Lower Saxony and Bremen, so the LEG neighbourhoods now stretch like a chain from the Rhine-Neckar area in the south-west to Flensburg in the north-west. We always ensure we can manage our facilities efficiently via the existing platform, supplemented by small local teams who look after the day-to-day operations. Unlike the states in Eastern Germany, which have a quite different building stock, customer requirements and the technical characteristics of real estate are very similar throughout Western Germany, so we can make good use of the expertise we have built up in the NRW residential market over many years.

As for NRW itself, a series of small-scale acquisitions also enabled us to further expand our leading position in our home state.

We benefit strongly from the fact that, although the acquisition market remains tight we are still highly visible in the “affordable living” segment. We are often the ideal owners for the properties in question. Institutional, commercial and private vendors also appreciate being able to put their customers in responsible and professional hands by selling their properties to LEG. To be able to swiftly integrate new properties into our portfolio, it is important for us to develop a direct relationship with our new tenants as quickly as possible. In the summer of 2020 we were able to use our successful Infobus tours for this purpose, and during the lockdown we welcomed our new tenants by way of telephone conferences.



“WE MANAGE AND DEVELOP ALL THE PROPERTIES WE ACQUIRE WITH A VIEW TO THE LONG TERM. THAT’S SOMETHING OUR NEW CUSTOMERS AND CONTRACT PARTNERS CAN RELY ON.“

ALEXANDER AUST, TEAM LEADER ACQUISITIONS AND AUTHORISED REPRESENTATIVE OF LEG CONSULT

In 2021, we are once again aiming to acquire about 7,000 units, provided that the key financial indicators are right for each purchase.

Financial stability

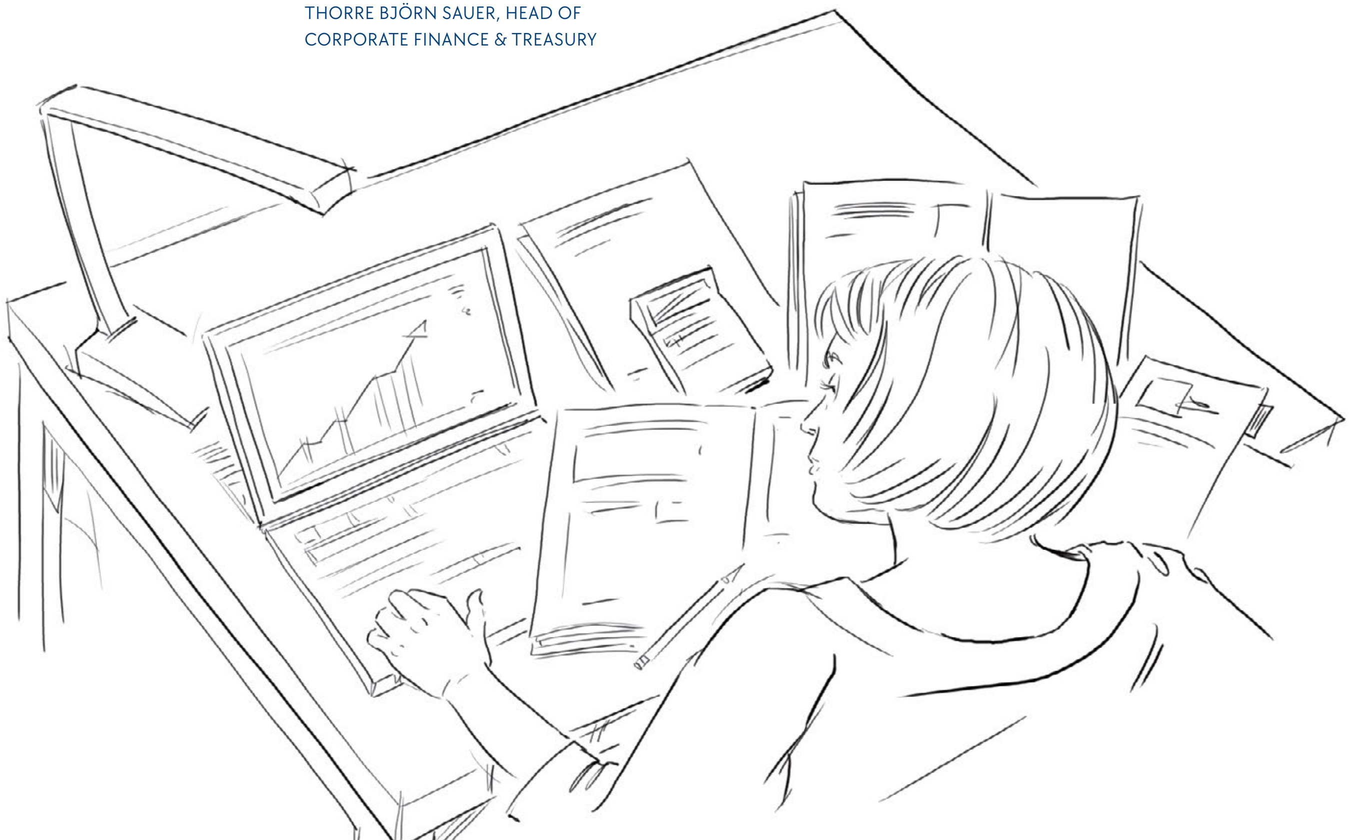
Our business operations are based on the principles of financial discipline and a low risk profile. Financial stability is the foundation on which our strategy is built. After all, our business model and the company’s ongoing growth are underpinned by a strong balance sheet and our long-term, low-interest financing structure. Our respectable, conservative financing strategy proved particularly valuable during the pandemic year of 2020.

Although we already started out from a strong position, we continued to improve our financing structure during 2020. We have access to a broad range of capital market instruments for this purpose, such as bonds, convertible bonds and commercial paper. During the last financial year we established relationships with additional banking partners with whom we also concluded long-term loans under very favourable financing conditions.

On 24 June 2020, for example, our placement with investors of a convertible bond worth EUR 550 million proved highly successful, and we simultaneously increased our capital by around EUR 273 million. The convertible bond issue offered very good conditions for LEG, with an interest rate of 0.4 per cent for an eight-year term. For the capital increase we issued 2.37 million new ordinary shares, which were placed at a price per share of EUR 115. Both transactions, which we used to finance our portfolio growth > strategy component 'Portfolio Optimisation', were oversubscribed many times.

"OUR STRONG FINANCIAL POSITION MEANS FINANCIAL INSTITUTIONS AND INVESTORS HAVE A HIGH LEVEL OF CONFIDENCE IN US."

THORRE BJÖRN SAUER, HEAD OF CORPORATE FINANCE & TREASURY



This is also reflected in our financial key performance indicators: Our leverage factor, as measured by the loan-to-value ratio, was a low 37.6 % as at 31 December 2020 (strategic LTV target: 43 % max.). We were able to reduce our average financing costs further, to just 1.33 %, coupled with a continued high interest hedging ratio in the order of 92.5 %. The average term of our liabilities as at the reporting date was around 7.4 years. These values contribute to a high level of security for stable earnings and dividend growth in the medium term.

Since 2015, we have had a credit rating from independent external agency Moody's, which gave us a long-term rating of "Baa1" in May 2015 and has consistently confirmed this since then. This investment-grade rating remains a testament to the vitality and strength of our business model in these challenging times. It also grants us access to a wide range of financing instruments.

Taking Social Responsibility

Social responsibility has always been an integral part of LEG's strategy. In the interests of all our stakeholders, we strive to achieve the best possible balance between cost-effectiveness, sustainability and customer orientation.

In 2020, we made further progress with regard to ESG criteria, which focus on sustainability in terms of environmental and climate protection, social topics and good corporate governance. This has been confirmed by international ESG ratings agencies such as Sustainalytics, which included us among the global top two per cent of sustainable businesses in November 2020.

In the year of pandemic that was 2020, the main focus here was on the **societal component** of ESG. With the aid of our 10-point paper of 21 March 2020 as well as other measures, we've supported our customers and employees safely through the crisis so far. We've received a lot of positive feedback from all stakeholders, which we see as proof that we've focussed on the right areas. Measures ranged from a temporary halt on rent adjustments to a coronavirus bonus for our employees and a budgeted EUR 1 million for coronavirus assistance as part of the "Your Home Helps" foundation, which we set up at the end of 2019. The foundation, endowed with capital of EUR 16 million, has initiated a total of 28 projects to benefit societal groups of all kinds, especially those hardest hit by the coronavirus crisis. In collaboration with prominent charitable organisations, "Your Home Helps" has supported facilities that provide assistance to young people, families and the elderly, as well as welfare services in almost all major LEG locations. In the area of education and training, pupils were given access to digital learning.

With the “Tafeln NRW” food charity, we worked to establish a EUR 50,000 coronavirus emergency assistance fund. And we are very proud of the outstanding success of the first year of “Your Home Helps”. **www.leg.com**

Among German residential companies, LEG remains the one that pays particular attention to affordability for its customers, with a 100-per cent focus on the “affordable living” segment. Proof of this are the moderate average rent of EUR 5.96 per square metre (l-f-l), the proportion of subsidised properties (about 25% of our portfolio) and our close relationship with our customers, tenant associations and local municipalities, all of whom we are in regular dialogue with.

We also maintain a close relationship with our employees. The LEG team acknowledged this in 2020 in the renowned “Great Place to Work” employee survey, in which almost 80 per cent of our employees rated LEG as a “very good workplace”.

We’ve redoubled our efforts to **protect the climate**. The modernisation programme we carried out in the reporting year included improvements in the energy efficiency of almost 6,200 units. That represents about 4.3% of our portfolio as at 31 December 2020 (2019: 4,800 units).

We have further projects in place across society as a whole to help achieve climate neutrality by 2050. To enable as many residential companies as possible to upgrade energy systems faster, more effectively and at a lower cost, we’re working with experienced partners in the plant engineering and construction industry, as well as with the German Energy Agency dena, to trial smart technologies for serial modernisation activities. In one of Germany’s first “living labs”, we intend to refurbish 20 existing buildings containing 160 units in a LEG neighbourhood in Mönchengladbach with prefabricated, series-production components. The goal is to achieve net-zero standard within an on-site construction period of less than six weeks. And our inclusion in a European Commission programme is enabling us to contribute our innovative research methods.

LEG’s recognised **good governance** rounds out our performance in terms of the ESG criteria. Our certified Compliance Management System (CMS) brings together our extensive measures to comply with legal requirements and in-house guidelines, especially in the areas of anti-corruption, competition, taxation, housing, data protection and the capital market. In 2020, we consolidated and expanded our in-house rules to cover topics such as Diversity and our commitment to human rights.

Internationally recognised agreements such as the Universal Declaration of Human Rights and the eight core labour conventions of the ILO are key foundations on which our corporate culture is based.

In addition, LEG once again fully satisfied the recommendations of the German Corporate Governance Code in 2020.

“WE’RE VERY PLEASED TO HAVE A NEW PARTNER IN THE FORM OF THE ’YOUR HOME HELPS’ FOUNDATION. TOGETHER WE’RE COMMITTED TO REDUCING EDUCATIONAL INEQUALITIES AND ENCOURAGING CHILDREN INDIVIDUALLY.“

KRISTA KÖRBES, MANAGING DIRECTOR OF GERMAN CHILD PROTECTION ASSOCIATION KINDERSCHUTZBUND IN NRW

Equity story

Pure play in the German housing sector

LEG focuses on the asset category affordable housing in Germany and is one of the largest German housing companies with around 145,000 units. By concentrating on one asset category and thus a homogeneous customer group, LEG can implement standardised processes, pool investments and use them target-oriented. In addition, LEG focusses exclusively on Germany, as expanding into markets abroad would result in lower efficiency due to different regulatory, accounting and in many cases language requirements.

Sustainability and social responsibility

LEG provides a home to around 400,000 people. With an average rent of EUR 5.94 per square metre, LEG is clearly positioned in the affordable range on the German rental market. Around a quarter of all units are subsidised housing, guaranteeing tenants that rent will stay low in the long term. During the Covid-19 crisis, LEG proved that it can find the right balance between supporting its customers, for example by suspending rent increases, and meeting the returns expectations of its investors. Starting in 2021, Management Board remuneration components have been linked to ESG criteria for the first time. With around 500 new build units each year from 2023, LEG is also helping relieve the housing shortage in Germany.

Actively seizing growth opportunities

LEG believes there are still attractive growth opportunities, both organic and external. For 2021, LEG is aiming to increase rents by around 3.0 %. LEG also thinks there are attractive opportunities to acquire portfolios on the market and intends to purchase approximately 7,000 units in 2021 – both in NRW and outside its domestic market. Value-added customer services also offer a further source of potential growth, with a growing portfolio, increased coverage within the portfolio and new services. LEG is aiming to increase its FFO I from EUR 383.2 million in fiscal year 2020 to between EUR 410 million and EUR 420 million in fiscal year 2021.

Attractive yields with low interest rates

With a gross yield of 4.7 % as measured by the GAV for the portfolio, LEG generates attractive yields in a capital market environment shaped by low to negative interest rates. At the same time, its business model has proven to be very robust, especially in the Covid-19 crisis. Shareholders have enjoyed a share in LEG's success since its IPO at the start of 2013 thanks to steadily increasing dividends. A dividend of EUR 3.60 per share was paid for the 2019 financial year. The dividend yield thus amounts to 2.8 % based on the closing price on 30 December 2020 of EUR 127.06.

Strong financial position allows for growth but also provides a buffer

LEG operates on the basis of a strong balance sheet. This is reflected in a conservative financing structure with a very low LTV of 37.6 % and a long maturity for liabilities of 7.4 years with an average interest rate of 1.33 %. The portfolio is valued at an average of EUR 1,503 per square metre. This strong financial position creates room for further growth while also providing a sufficient risk buffer in the volatile current environment.

The share

The coronavirus crisis dominated stock markets around the world in the reporting year. With prices first slumping and then gradually recovering, the DAX closed 2020 up 3.5 %. The consequences of the pandemic were comparatively minor for the LEG Group, with the LEG share soon enjoying gains again after losses in March 2020. Overall, LEG outperformed the benchmark index for German property stocks. Including the dividend paid, investors generated a return of 23.8 % on LEG's share in 2020.

Across the world, the coronavirus pandemic overshadowed social, political and economic developments in 2020. Unlike any other event before, it also dominated international stock markets, creating considerable turbulence at times. The DAX initially started the new year well, reaching 13,789 points on 19 February – not far off the annual high for 2020. However, the first lockdown and worries about serious economic losses resulted in dramatic price slumps, with the German benchmark index collapsing by over 5,000 points (almost 39 %) within the space of a month and falling to its lowest level since 2013 on 18 March 2020. Following a gradual recovery, the DAX was stable until autumn. International indices such as the MSCI World performed similarly.

Prompted by a new rise in cases followed by new lockdowns, stock markets contracted again significantly in the fourth quarter. However, this negative trend was increasingly offset by hopes that vaccines would soon become available. The DAX reached its high for the year on 28 December at 13,790 points. Apart from the coronavirus pandemic, events on the stock markets were shaped chiefly by Brexit (in particular at the start and end of the year) and the presidential election in the US. Demand for German government bonds remained very high in the crisis-ridden year that was 2020. The ten-year German government bonds yield was negative throughout the year, reporting a new record low of – 0.86 % in March 2020.

LEG share outperforms EPRA index

After getting the year off to a good start, the LEG share – like the market as a whole – suffered a substantial downturn at the beginning of the first lockdown. On 18 March, the share reached its lowest point for the year at EUR 77.40. Nonetheless, demand for the share was strong thanks to the low-risk business model and the housing sector's resilience in the face of crisis and so there were soon signs of recovery. In addition, LEG took various measures to protect both its tenants and its employees and to keep business running as far as possible. Accordingly, the impact of the pandemic on the LEG Group was very limited. This, alongside encouraging company news and continued low interest rates, meant that the share price rose steadily, marking a new record high of EUR 127.06 on 30 December 2020.

Overall, the LEG share again far outperformed its benchmark index in 2020 (EPRA Germany: up 11.9 %). With a closing price of EUR 127.06, the performance of LEG amounted to +20.4 %. Including the dividend paid of EUR 3.60, the total return for 2020 thus came to 23.8 %. For the first time, LEG shareholders were able to choose between a stock dividend and a cash dividend in the reporting year. For approximately 33 % of shares, investors opted to take the dividend in stocks.

T2

Share performance indicators

Ticker symbol	LEG
German Securities Code Number (WKN)	LEG111
ISIN	DE000LEG1110
Number of shares (31 December 2020)	72,095,943
Initial listing	1 February 2013
Market segment	Prime Standard
Indices	MDAX , FTSE EPRA/NAREIT, GPR Indizes, Stoxx® Europe 600, S&P EUROPE 350, GPR IPCM LFFS Sustainable GRES Index, DAX 50 ESG, MSCI Europe ex UK, MSCI World ex USA, MSCI World Custom ESG Climate Series
Closing price (31 December 2020)	EUR 127.06
Market capitalisation (31 December 2020)	EUR 9,161 million
Free float (31 December 2020)	100 %
Weighting in the MDAX (31 December 2020)	3.11 %
Weighting in the EPRA Europe (31 December 2020)	3.68 %
Average single-day trading volume (2020)	227,000 shares
Highest price (30 December 2020)	EUR 127.06
Lowest price (18 March 2020)	EUR 77.40

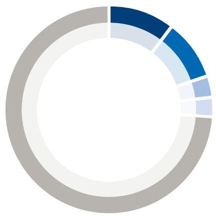
Virtual communication

Active and transparent communications with capital market participants are at the heart of LEG's investor relations activities. In particular, this also includes personal dialogues with shareholders. The LEG share attracted particularly high interest among international and national investors in the 2020 financial year. In light of this, LEG held virtual roadshows or took part in audio and video conferences with investors on around 45 days.

Due to the coronavirus pandemic, the Annual General Meeting was also held virtually in the reporting year on 19 August 2020. The entire event was streamed on a portal set up for this purpose and accessible only to shareholders.

G1

Shareholder structure (in %)



MFS	10.5
BlackRock, Inc.	9.4
BNP Paribas Asset Management	3.2
Flossbach von Storch	3.0
Other free float	73.9

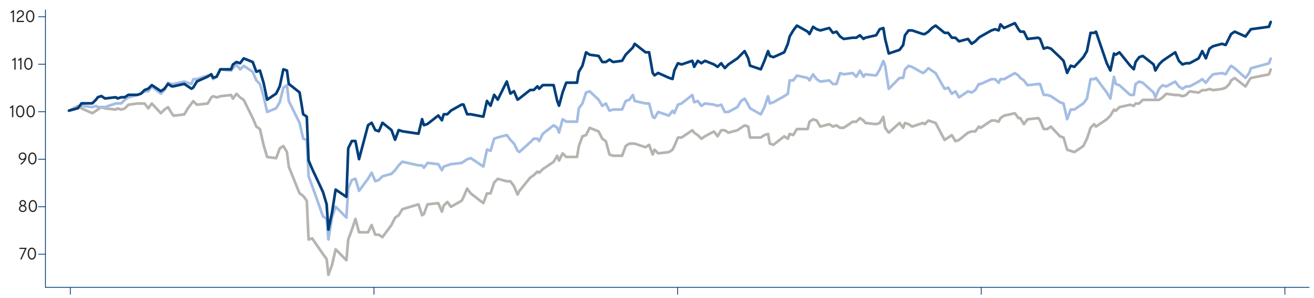
On the sell-side, over 20 analysts from renowned research companies continued to track the shares. A current overview of analysts' recommendations and price targets can be found at www.leg-wohnen.de/en/corporation/investor-relations/share/analyst-recommendation/. Analysts' average price target was EUR 133.50 on 28 February 2021, with predominantly positive recommendations.

Successful capital market transactions

LEG already exceeded its acquisition target of 7,000 units in 2020 in the first half of the year. A capital increase was implemented by way of accelerated bookbuilding in June 2020 to fund most of the 9,535 residential units acquired in the year as a whole. The placement price of the 2.37 million new shares was EUR 115 per share, generating gross issue proceeds of approximately EUR 273 million. At the same time, LEG successfully placed convertible bonds with a total nominal amount of EUR 550 million. Non-subordinate, unsecured convertible bonds with an eight-year term have a coupon of 0.40 % per year. The initial conversion price was EUR 155.25, translating into a premium of 35 % above the reference share price. This was equal to the placement price of the capital increase carried out at the same time. As dividend protection for the adjustment of the conversion price a threshold of EUR 3.60 dividend per share was set.

G2

Share price development



Q1	Q2	Q3	Q4
02.01.2020	18.03.2020	30.12.2020	30.12.2020
Open	**Low**	**High**	**Close**
106.25	**77.40**	**127.06**	**127.06**

LEG — EPRA Germany — MDAX

Share Price 2020 indexed to 100

Reporting again receives awards

The quality of LEG's financial reporting in 2020 again earned the Gold Award from EPRA – the European Public Real Estate Association.

SUSTAINALYTICS a Morningstar company RATED — EPRA BPR GOLD — EPRA sBPR GOLD

There was a particular focus in the reporting year on expanding sustainability reporting, with LEG also receiving the EPRA Gold Award for ESG reporting for the first time. ESG ratings agency Sustainalytics currently ranks LEG in the top 2 % of just under 13,000 companies analysed from various sectors worldwide and in the top 4 % of all of the 941 property companies assessed. The LEG share is also represented in multiple sustainability indices such as the DAX 50 ESG.

EPRA key figures

With more than 275 members, including LEG Immobilien AG, EPRA (European Public Real Estate Association) represents the listed real estate industry in Europe. EPRA strives to establish best practices to provide high-quality information to investors.

Financial key figures

Transparent and fair reporting form the basis for LEG's communications with the capital market. In light of this, LEG also actively supports the initiative of the sector association of EPRA to harmonise key financial figures. The table below provides an overview of the key figures in accordance with EPRA's Best Practice Recommendations. Further information can be found in the management report of this annual report. For a definition of the key figures please see the > glossary of this annual report.

Sustainability

For sustainability reporting according to EPRA sBPR please see our sustainability report 2020, which will be published on May 11 2021.

T3

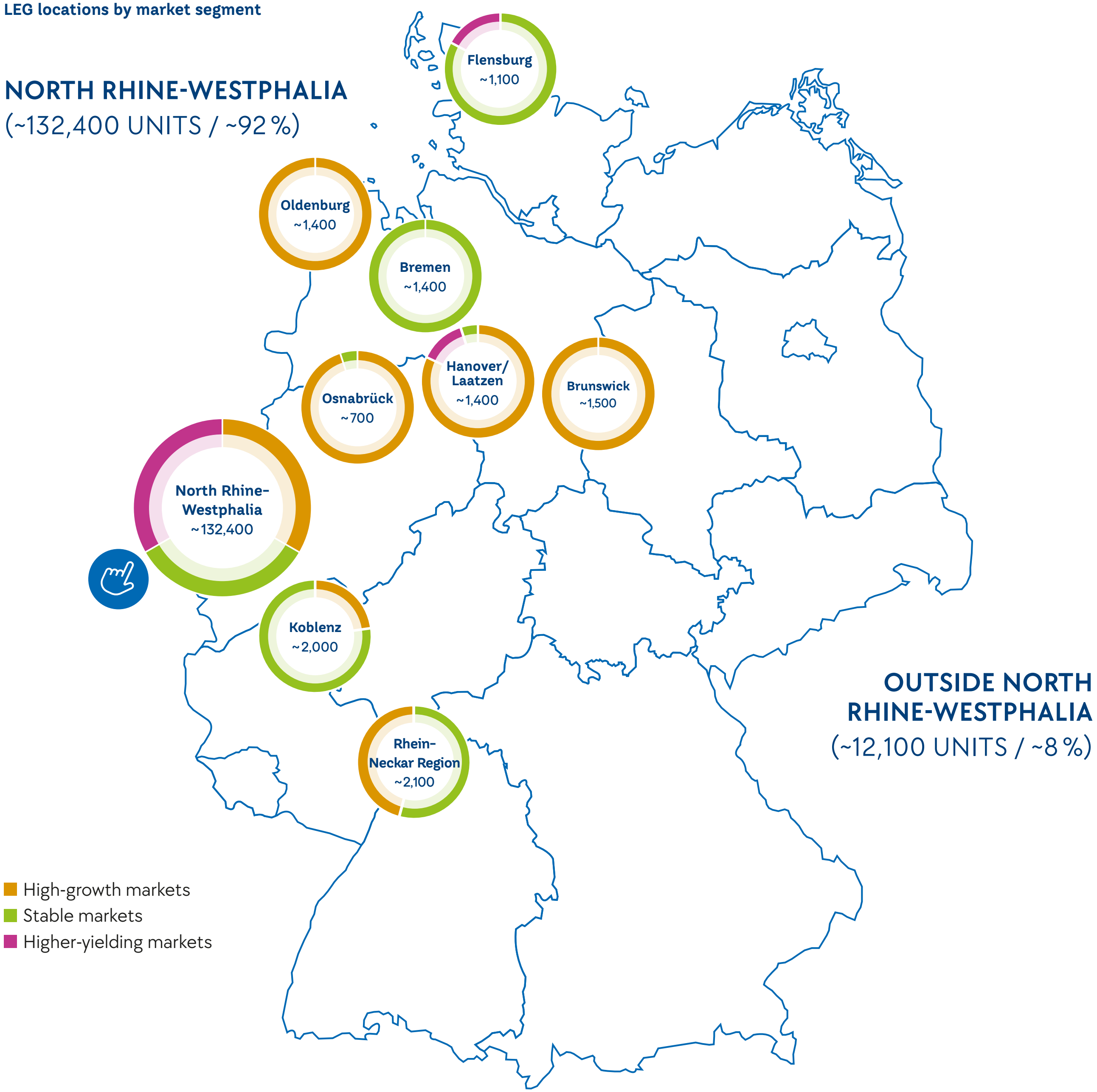
EPRA key figures

		2020	2019	Details
EPRA Net Initial Yield	%	3.6	3.9	See page 54
EPRA „topped-up" Net Initial Yield	%	3.6	3.9	See page 54
EPRA Cost Ratio incl. direct vacancy costs	%	25.0	26.6	See page 53
EPRA Cost Ratio excl. direct vacancy costs	%	23.1	24.5	See page 53
EPRA Cost Ratio, adjusted by maintenance incl. direct vacancy costs	%	15.0	16.2	See page 53
EPRA Cost Ratio, adjusted by maintenance excl. direct vacancy costs	%	13.1	14.1	See page 53
EPRA Vacancy (like-for-like)	%	2.6	2.9	See page 51
EPRA Earnings per share	€	6.32	3.84	See page 171
EPRA Capex	€ million	290.4	206.7	See page 51
EPRA NAV (Net Asset Value)	€ million	9,308.0	7,356.4	See page 60
EPRA NAV per share	€	123.23	106.60	See page 60
EPRA NNNAV (Triple Net Asset Value)	€ million	7,537.0	5,732.6	See page 60
EPRA NNNAV per share	€	99.78	83.07	See page 60
EPRA NRV (Net Reinstatement Value)	€ million	10,729.7	8,541.1	See page 59
EPRA NRV per share	€	142.05	123.77	See page 59
EPRA NTA (Net Tangible Assets)	€ million	9,247.6	7,254.5	See page 59
EPRA NTA per share	€	122.43	105.12	See page 59
EPRA NDV(Net Disposal Value)	€ million	7,374.5	5,536.3	See page 59
EPRA NDV per share	€	97.63	80.22	See page 59

Portfolio

G3

LEG locations by market segment



Following the acquisitions in the 2020 financial year, LEG's portfolio is spread across around 210 locations in the federal states of North Rhine-Westphalia, Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Württemberg. The buildings have an average of seven residential units divided between three floors, with an average apartment size of 64 square metres. As at 31 December 2020, the portfolio consisted of 144,530 residential units, of which 35,955 rent-restricted units and of 1,346 commercial units and 39,205 garages and parking spaces.

The LEG portfolio can be divided into three market clusters using a scoring system: high-growth markets, stable markets and higher-yielding markets. The data on which the market comparison is based include external rankings of the locations' demographic and economic situation (including population trends, household forecasts and purchasing power) and a comparison of key property-related figures (market rents and vacancy rates). The scoring model is updated every three years. The last update took place in the 2019 financial year.

High-growth markets are characterised by demographically and economically strong locations with above-average rents and low vacancy rates. Stable markets are more varied than high-growth markets in terms of their demographic and socio-economic development, while their attractiveness as housing industry locations is sound to high on average. Higher-yielding markets are generally subject to a greater risk of population decline. But given a strong local presence, attractive micro-locations and good market penetration, these geographical submarkets will still offer opportunities for attractive yields.

Operational development

In-place rent on a like-for-like basis came to EUR 5.96 per square metre as at 31 December 2020. Compared to the same date in the previous year, this corresponded to an increase of 2.3 % (previous year: EUR 5.83 per square metre).

In the free-financed segment, which accounts for around 75 % of LEG's portfolio, in-place rent rose by 2.3 % to EUR 6.34 per square metre (previous year: EUR 6.20 per square metre). All market segments contributed to this trend: The high-growth markets recorded an increase of 2.2 % to EUR 7.36 per square metre (on a like-for-like basis). In the stable markets, rents increased significantly by an average of 2.6 % to EUR 5.97 per square metre (on a like-for-like basis). In the higher-yielding markets an increase of 2.3 % to EUR 5.75 per square metre (on a like-for-like basis) was achieved. 2020 was a year of regular cost rent adjustment that is conducted every three years. Thus, the average rent for rent-restricted apartments increased by just under 2.0 % to EUR 4.90 per square metre as at 31 December 2020 (on a like-for-like basis).

The EPRA vacancy rate on a like-for-like basis stood at 2.6 % at the end of the year, and therefore below the previous year's level (2.9 %). With an occupancy rate of 98.5 % (on a like-for-like basis), the LEG portfolio in the high-growth markets was nearly fully let as at the end of 2020. The occupancy rate in the stable markets was 97.4 % (on a like-for-like basis). In the higher-yielding markets an increase of the occupancy rate by 100 basis points to 96.0 % was achieved (on a like-for-like basis). The fluctuation rate remained unchanged at 10.0 % (on a like-for-like basis; previous year: 10.0 %).

Value development

The > table T6 shows the distribution of assets by market segment. The rental yield on the portfolio based on in-place rents is 4.7 % (rent multiplier: 21.4). The valuation of the residential portfolio corresponds to an EPRA net initial yield of 3.6 %.

T4

Portfolio segments – top 3 locations

	31 December 2020					31 December 2019					Change on a like-for-like basis	
	Number of LEG apartments	Share of LEG-portfolio in %	Living space in sqm	In-place rent €/sqm	EPRA vacancy rate in %	Number of LEG apartments	Share of LEG-portfolio in %	Living space in sqm	In-place rent €/sqm	EPRA vacancy rate in %	In-place rent in % like-for-like	Vacancy rate (basis points) like-for-like
High-growth markets	**45,709**	**31.6**	**3,030,674**	**6.66**	**1.8**	**40,819**	**30.5**	**2,708,100**	**6.61**	**1.7**	**2.2**	**–10**
District of Mettmann	8,495	5.9	590,651	6.91	1.5	8,483	6.3	589,815	6.75	1.9	2.2	–30
Münster	6,197	4.3	412,093	6.78	0.9	6,200	4.6	412,155	6.69	0.9	1.4	10
Dusseldorf	5,421	3.8	352,400	8.02	2.2	5,350	4.0	347,933	7.90	2.8	1.9	–60
Other locations	25,596	17.7	1,675,530	6.26	2.1	20,810	15.5	1,358,197	6.21	1.5	2.4	10
Stable markets	**56,444**	**39.1**	**3,598,565**	**5.65**	**2.9**	**52,034**	**38.8**	**3,326,462**	**5.50**	**2.9**	**2.5**	**–10**
Dortmund	13,717	9.5	896,520	5.49	2.8	13,617	10.2	889,195	5.33	2.2	2.8	60
Moenchengladbach	6,441	4.5	408,146	6.05	1.8	6,442	4.8	408,268	5.87	1.5	3.1	30
Essen	3,372	2.3	217,538	5.68	2.6	3,373	2.5	217,595	5.55	2.5	2.4	20
Other locations	32,914	22.8	2,076,361	5.64	3.2	28,626	21.4	1,811,405	5.50	3.6	2.1	–70
Higher yielding markets	**42,259**	**29.2**	**2,568,269**	**5.48**	**4.1**	**41,154**	**30.7**	**2,498,817**	**5.36**	**5.2**	**2.3**	**–100**
District of Recklinghausen	9,022	6.2	548,869	5.39	3.0	8,784	6.6	533,209	5.26	3.7	2.5	–70
Duisburg	6,323	4.4	382,644	5.86	2.1	6,311	4.7	381,338	5.77	4.6	1.8	–230
Maerkisch District	4,608	3.2	284,508	5.38	3.9	4,608	3.4	284,467	5.29	3.6	1.7	30
Other locations	22,306	15.4	1,352,248	5.44	5.2	21,451	16.0	1,299,804	5.30	6.4	2.4	–100
Total[1]	**144,530**	**100.0**	**9,205,221**	**5.94**	**2.8**	**134,031**	**100.0**	**8,533,379**	**5.82**	**3.1**	**2.3**	**–30**

[1] 31.12.2020: Incl. 118 units held for sale.

T5

LEG Portfolio

		High-growth markets		Stable markets		Higher yielding markets		Total	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Subsidised residential units									
Units		12,476	11,412	15,337	14,076	8,142	8,091	35,955	33,579
Area	sqm	857,950	788,485	1,039,131	954,389	534,763	530,850	2,431,844	2,273,724
In-place rent	€/sqm	5.23	5.12	4.88	4.73	4.54	4.45	4.93	4.80
EPRA vacancy rate	%	0.9	0.8	2.2	1.9	2.1	2.1	1.7	1.5
Free-financed residential units									
Units		33,233	29,431	41,107	37,958	34,117	33,063	108,575	100,452
Area	sqm	2,172,724	1,921,058	2,559,433	2,370,630	2,033,506	1,967,967	6,773,376	6,259,655
In-place rent	€/sqm	7.23	7.23	5.97	5.82	5.74	5.62	6.31	6.20
EPRA vacancy rate	%	2.0	2.0	3.1	3.2	4.5	5.9	3.1	3.5
Total residential units[1]									
Units		45,709	40,843	56,444	52,034	42,259	41,154	144,530	134,031
Area	sqm	3,030,674	2,709,543	3,598,565	3,325,019	2,568,269	2,498,817	9,205,221	8,533,379
In-place rent	€/sqm	6.66	6.61	5.65	5.50	5.48	5.36	5.94	5.82
EPRA vacancy rate	%	1.8	1.7	2.9	2.9	4.1	5.2	2.8	3.1
Total commercial									
Units								1,346	1,272
Area	sqm							226,357	209,630
Total parking									
Units								39,205	34,283
Total other									
Units								2,814	2,634

[1] 31.12.2020: Incl. 118 units held for sale.

Investing activities

In order to continue to improve the quality of the housing stock and thus to satisfy the increasing customer needs, LEG also invested in its portfolio in the last financial year in a sustainable and long-term oriented manner. Based on the opportunities arising from the temporary reduction in VAT and the currently available craftsmen's capacities, an increase in investments was targeted for the reporting year. Total investments (excluding new construction) amounted to EUR 370.3 million in the 2020 financial year. This corresponds to an increase of EUR 80.4 million or 27.7 % compared to the previous year. The share of value-enhancing and thus capitalised measures was around 74.2 % (previous year: 70.0 %). The average investments per sqm of living and usable space were increased by more than EUR 7 compared to the previous year and amounted to approximately EUR 41 in 2020. In the coming years, LEG will continue its investment activities and, in particular, implement measures for energy optimisation and portfolio improvement, so that investments will also stabilise at a level of over EUR 40 per sqm in the following years.

As in previous years, the modernisation of the portfolio was continued in a targeted manner during the reporting period. For example, the modernisation concept for the Berliner Viertel in Monheim was successfully completed. In 2020, another EUR 13.7 million were invested in Monheim in energy modernisation, balcony renovation and to increase the attractiveness of the apartments.

In addition, investments were made in energy-efficient façade and roof refurbishment, new windows and balconies, and improvements to the residential environment with the redesign of building entrances and stairwells in the reporting year, for example in Dortmund (around EUR 13 million), Bonn (just under EUR 10 million), in Ratingen (EUR 7.6 million), and Herne (EUR 6.8 million).

T6

Market segments

31.12.2020	Residential units	Residential assets in € million[1]	Share residential assets in %	Value/sqm in €	In-place rent multiplier	Commercial/ other assets in € million[2]	Total assets in € million
High-growth markets	**45,709**	**6,242**	**45**	**2,050**	**25.8x**	**273**	**6,514**
District of Mettmann	8,495	1,229	9	2,083	25.2x	72	1,300
Münster	6,197	908	7	2,199	27.0x	50	958
Dusseldorf	5,421	957	7	2,685	28.1x	42	998
Other locations	25,596	3,149	23	1,868	25.2x	109	3,258
Stable markets	**56,444**	**4,806**	**35**	**1,345**	**20.0x**	**153**	**4,959**
Dortmund	13,717	1,312	9	1,457	22.5x	50	1,362
Moenchengladbach	6,441	568	4	1,388	18.6x	14	582
Essen	3,372	287	2	1,316	19.6x	11	298
Other locations	32,914	2,639	19	1,290	19.4x	78	2,717
Higher yielding markets	**42,259**	**2,802**	**20**	**1,080**	**16.9x**	**86**	**2,888**
District of Recklinghausen	9,022	607	4	1,097	17.3x	20	627
Duisburg	6,323	471	3	1,236	17.7x	29	500
Maerkisch District	4,608	280	2	981	15.7x	3	283
Other locations	22,306	1,444	10	1,051	16.6x	34	1,479
Total portfolio[3]	**144,412**	**13,850**	**100**	**1,503**	**21.4x**	**512**	**14,362**
Assets under construction (IAS 40)							28
Leasehold and land values							193
Balance sheet property valuation assets (IAS 40)							**14,583**
Prepayments for investment properties and construction costs							43
Inventories (IAS 2)							2
Owner-occupied property (IAS 16)							28
Assets held for sale (IFRS 5)							22
Total balance sheet							**14,677**

[1] Excluding 442 residential units in commercial buildings; including 481 commercial units as well as several other units in mixed residential assets.
[2] Excluding 481 commercial units in mixed residential assets; including 442 residential units in commercial buildings, commercial, parking, other assets.
[3] Excluding 118 units reclassified to assets held for sale (IFRS 5), including 239 other residential units

Report of the Supervisory Board

MICHAEL ZIMMER
Chairman of the Supervisory Board

Dear Shareholders,

The housing sector faced major challenges in 2020. As well as the impact of the coronavirus pandemic, these challenges related to political interventions and the change in structural conditions, which affect rental growth and entail significant investment requirements to achieve environmental targets.

LEG successfully addressed these challenges and further honed its positioning on the capital market. This is confirmed by the above-average performance of LEG's share price. The relevant key performance indicators are also within the target corridor announced to the capital market. Once again, LEG's strong position on the capital market combined with a stable financial foundation demonstrated that this is the best foundation for a sustainable business model and value chain, while also proving resilient in times of crisis.

One of the greatest challenges in 2020 was and remains the coronavirus pandemic. We believe the crisis also offers opportunities. With business operations continuing to function smoothly even in the crisis and thus minimising the economic impact, LEG is using the crisis to further strengthen stakeholder relations and to become more efficient and boost digitisation. We are aware that our homes are more important to every one of us now than ever.

We consider ourselves a responsible and strong company that acts in solidarity. LEG has clearly illustrated this position when communicating its 10-point programme and in connection with other pandemic-related initiatives. It is of vital importance to LEG to stress that its responsible conduct and show of solidarity during the crisis has a "license to operate" in the future.

Specifically, LEG provided support to its tenants at the very beginning of the pandemic, for example by suspending rent increases in accordance with section 558 of the German Civil Code, through accommodating rent deferral and instalment payment options, special offers for many system relevant helpers and by providing considerable social support.

We would like to take this opportunity to sincerely thank our employees, who have shown unparalleled motivation to be there for our tenants during the coronavirus pandemic and who have demonstrated solidarity with customers whose livelihoods are in danger. The crisis further strengthened our team spirit among all of our staff. At the start of the first lockdown, LEG immediately took all the necessary precautionary measures to protect the health of its workforce. IT equipment for all employees was also upgraded at short notice to allow them to work flexibly from home. Given the acute crisis, LEG benefited greatly from the fact that implementation of institutional Business Continuity Management had already begun back in 2019.

We also exercised the utmost care when dealing with our shareholders; for example by holding our 2020 Annual General Meeting virtually. It was particularly important to us that we respected and safeguarded shareholder rights at the virtual Annual General Meeting. Every shareholder question that had been submitted was answered in detail.

Overall, we can conclude that LEG has used the coronavirus pandemic to improve its processes and accelerate its digitisation strategy. At the same time, this meant that the core goal of our strategy – optimising core business – was implemented far more quickly. Cost items were examined and significantly reduced. Despite the pandemic, this resulted in an encouraging increase in letting performance in the financial year, for example.

2020 also proved the value of close, sustained cooperation between the Management Board and the Supervisory Board. Current developments were also the subject of lively discussion outside board meetings, ensuring that the Supervisory Board had the transparency it needed at all times during this crisis and support the Management Board.

The integration of our new CFO, Susanne Schröter-Crossan, also went smoothly. Susanne Schröter-Crossan has completed the Management Board since 1 July 2020 and draws on her extensive experience to successfully support LEG in these unusual times. Susanne Schröter-Crossan was chosen by the Supervisory Board in a structured selection process with the support of a human resources consultant.

Unconstrained by the pandemic, LEG continued its growth-based business strategy. Economies of scale are all the more important in light of changing social and political conditions as they help ensure higher cost efficiency and optimal capital allocation.

LEG is ideally positioned to take advantage of the growth opportunities presented by market developments by way of M&A transactions. In May 2020, therefore, we looked at whether a takeover of TAG Immobilien AG would be economically viable for the company and our stakeholders. This transaction was terminated by mutual agreement with the TAG Management Board after the two parties failed to agree a mutually acceptable purchase price.

The company's main strategic focus is on generating growth through portfolio acquisitions. It is thus particularly significant that LEG expanded its portfolio by 9,535 residential units notarised in 2020, with these acquisitions playing a key role in strengthening the portfolio outside our core region of North Rhine-Westphalia. The residential units were purchased both as part of portfolio acquisitions and smaller acquisitions. LEG is a reliable partner for institutional, commercial and private sellers. Portfolios are in goods hands thanks to our management platform as well as the company's social and sustainable structures.

LEG's acquisition strategy remains sound and is essentially based on the process of closely observing the market to identify profitable and value-adding opportunities.

The volume of portfolio acquisitions has also shown that restructuring LEG's own IT company LEG Consult GmbH to take account of current market requirements was the right decision.

LEG continues to regard itself a net buyer and this is reflected in its sales planning. The sales of 560 units notarised in the 2020 financial year were part of an efficient portfolio realignment and were more than offset by acquisitions.

We also set the course for future growth. One key milestone here is the ongoing conversion of LEG Immobilien AG into a Societas Europaea (SE), a modern European and increasingly popular legal form. When the merger becomes effective, LEG Immobilien AG will assume the legal form of an SE named LEG Immobilien SE.

Portfolio acquisitions were financed in part by a cash capital increase, with 2,370,000 new shares placed, and by issuing a convertible bond with a total nominal amount of EUR 550 million. The capital market also expressed its confidence in LEG here, with both measures oversubscribed and successfully received by the capital market.

Many shareholders also took advantage of the option, offered by the company for the first time, of a stock dividend in 2020, creating 716,107 new shares.

LEG put the audit for 2021 out for tender as part of a structured selection process. The company will propose to the Annual General Meeting in the 2021 financial year that Deloitte Touche Tohmatsu Limited be appointed the auditor of the annual and consolidated financial statements for the 2021 financial year. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) was proposed as the auditor of the annual and consolidated financial statements for the last time for the 2020 financial year. We on the Supervisory Board would like to take this opportunity to thank PwC for its constructive collaboration and high-quality work at all times as LEG's financial statements auditor.

LEG's focal points include the structure, quality and future viability of our balanced portfolio, which is at the heart of LEG. In addition to asset acquisitions, the portfolio is expanded by project development purchases and redensification on our own land. In the 2020 financial year, we restructured our project development company LEG Solutions GmbH to take account of requirements in new construction and project development business, optimised processes and launched an array of promising new construction and project development measures.

Our comprehensive strategic investment programme safeguards the quality of our portfolio. The company regularly reviews whether both new construction and renovation measures give appropriate consideration to sustainability aspects.

Sustainability plays a key role in LEG's strategic considerations. This is also demonstrated by the inclusion of non-financial targets relating to the environment, social responsibility and governance in the Management Board remuneration system approved by the Annual General Meeting. The Supervisory Board and the Management Board believe these non-financial targets are crucial to long-term, sustainable company success. This more closely interlinks the interests of the Management Board and other stakeholders.

The Supervisory Board is appropriately involved in the company's strategic considerations. Board meetings provide a platform to analyse and thoroughly discuss LEG's strategic options, taking into account all material aspects. The Management Board and the Supervisory Board focus their advisory work on optimising the operational performance, extending the value chain and strengthening the portfolio.

LEG's vision

"LEG– liveable, simply good!
We create a home worth living in for people who simply want to live well."

remains unchanged.

LEG's stable financial foundation and its consistently sound positioning on the capital market also provide an opportunity for LEG to discuss strategic options that are novel and innovative in the sector. These ideas are crucial for the housing sector, which is facing major challenges in light of regulatory limits on rental growth potential and the significant investment requirements needed to achieve environmental targets. Strategy decisions give consideration to the requirements of our stakeholders that affect housing policy resulting from political discussions and that relate to societal issues.

The next step is to incorporate these decisions into our business processes. In terms of digitisation, for example, LEG was one of the first companies in the housing sector to use digital leases and the tenant app. This particularly supports the rental process during the coronavirus pandemic, and is also reflected in letting performance.

The relevant key performance indicators for 2020 confirm LEG's renewed success. The key figures are within the target corridor announced to the capital market.

The LEG share again performed far better in the reporting year than the peer group of listed German residential housing companies (EPRA Germany Index).

One of LEG's core activities is still to optimise operating performance. The company can look back on a track record of success in this regard in the 2020 financial year. Not only did letting performance improve significantly, LEG also successfully broadened the value chain by insourcing control functions for vacant apartment renovations.

One target particularly close to LEG's heart is ensuring high customer and employee satisfaction. LEG, the Management Board and employees advocate this every day and approach this continuous challenge with total commitment.

The results of the employee survey "Great Place to Work" in Totalr 2020 were particularly encouraging. Staff identify very strongly with LEG and consider the company an outstanding employer. Yet regardless of these good results, we of course do not intend to rest on our laurels and instead are always working on employee well-being and loyalty. One example of this is our health management, which employees currently value more than ever. In times of changing corporate culture – a shift that is being intensified by the pandemic and the changes to the world of work that this has brought about – staff leadership takes on an entirely new meaning. The Management Board and the Supervisory Board are aware of this and it influences our strategy. The conclusions drawn from 2020 will be directly taken on board and processed. This is made clear, for example, by plans for our new headquarters, with a move-in date scheduled for the second quarter of 2022.

Last year, with the particular challenges that it entailed, again strengthened the good quality of the close cooperation between the Management Board and the Supervisory Board. As previously, this cooperation continues to be characterised by a comprehensive and continuous dialogue on strategic, economic and financial matters and on current business developments. Collaboration with the Management Board was highly transparent and so the Supervisory Board was able to satisfy itself of the legality, appropriateness and regularity of the Management Board's work at all times. In my role as Chairman of the Supervisory Board, I am delighted to perform my duty of being available as a point of contact for the Management Board and particularly for the CEO.

The 2020 financial year was exceptional and required additional extraordinary board meetings/conference calls in addition to regular board meetings on account of the coronavirus pandemic and the company's large-scale transactions. Given the current circumstances, it was agreed by the Supervisory Board and its committees to hold most of the board meetings virtually. Support for and monitoring of the Management Board was ensured by the Supervisory Board at all times, including at virtual meetings. Excused absences from board meetings are isolated incidents.

The company's preparation for board meetings and other meetings of the Supervisory Board and its committees was exemplary. The Management Board also reported on key issues at the meetings. The Management Board always fulfilled its information duties promptly and in sufficient depth.

There were four scheduled meetings and seven extraordinary meetings of the Supervisory Board in the 2020 financial year. The Management Board generally attends the meetings, but if necessary the Supervisory Board also meets without the Management Board. In the reporting year, the Supervisory Board and the Executive Committee temporarily discussed matters at meetings without the presence of the Management Board.

The Supervisory Board believes it is helpful for in-house experts to attend the board meetings along with the Management Board. This allows the Supervisory Board to get to know company executives. Examples include the Head of Accounting & Taxes, the Head of Internal Audit and the Head of HR/Legal/Compliance. The Supervisory Board also invited external consultants to attend committee meetings as necessary. Examples here were the mandatory participation of the auditor PwC in the meeting to adopt the annual financial statements or the participation of the property assessor, CBRE. Furthermore, as in previous years the Supervisory Board engaged a law firm that advised the Supervisory Board on key decisions.

The Supervisory Board is professionally structured. All members of the Supervisory Board have the proven necessary knowledge, abilities and specific experience to perform their duties properly. Each individual member of the Supervisory Board has special areas of competence that he or she makes available to the company when performing his/her work, with high levels of motivation and commitment. The Supervisory Board was expanded in 2020 to include Mr Martin Wiesmann, an excellent financial expert with extensive industry experience and outstanding capital market expertise.

Natalie Hayday resigned from the Supervisory Board effective 7 January 2021. On the recommendation of the Nomination Committee and the Supervisory Board, we will propose to the Annual General Meeting that the vacancy is filled by Dr Sylvia Eichelberg. The Nomination Committee and the Supervisory Board believe that Dr Eichelberg is particularly suited for the position as a member of the Supervisory Board of LEG Immobilien SE.

Meetings of the Supervisory Board

The Supervisory Board met for four ordinary and seven extraordinary meetings in the 2020 financial year.

15 resolutions were also adopted by written procedure. The matters to which these pertained had been covered in detail at Supervisory Board meetings beforehand, but the Board had not been ready to make a decision at the time of the meeting. It was agreed by the Supervisory Board that the corresponding resolutions would be passed by way of written procedure. These mostly related to decisions on acquisitions in connection with financing measures that were discussed intensively beforehand both on the Executive Committee and on the Supervisory Board. On account of the pandemic, these also include resolutions adopted by written procedure, for example decisions related to the rescheduling of the 2020 Annual General Meeting.

All the members of the Supervisory Board attended at least half the meetings.

T7

Supervisory board meeting attendance 2020

Supervisory Board Member	23.01.2020 (extraord.)	05.03.2020	12.03.2020 (extraord.)	29.04.2020 (extraord.)	05.05.2020	24.05.2020 (extraord.)	26.05.2020 (extraord.)	18.06.2020 (extraord.)	18.08.2020	03.11.2020	17.12.2020 (extraord.)
Michael Zimmer (Chairman)	X	O	X	X	X	X	X	O	X	X	X
Stefan Jütte (Deputy Chairman)	O	X	X	X	X	X	X	O	X	X	X
Natalie Hayday	X	X	X	X	X	X	X	O	X	X	X
Dr Johannes Ludewig	O	X	X	X	X	X	X	X	X	X	X
Dr Claus Nolting	O	X	X	X	X	X	X	X	X	X	X
Dr Jochen Scharpe	X	X	X	X	X	X	X	X	X	X	X
Martin Wiesmann (Member since 07.10.2020)										X	X

T8

Audit committee meeting attendance 2020

Audit Committee Member	10.01.2020	20.02.2020	18.03.2020	01.04.2020	21.04.2020	27.04.2020	28.09.2020	10.12.2020
Michael Zimmer (Chairman)	X	X	X	X	X	X	X	X
Stefan Jütte (Deputy Chairman)	X	X	X	X	X	X	X	X
Dr Johannes Ludewig	X	X	X	X	X	X	X	X

T9

Executive committee meeting attendance 2020

Executive Committee Member	18.02.2020 (extraord.)	04.03.2020	04.05.2020	17.08.2020	02.11.2020
Stefan Jütte (Chairman)	X	X	X	X	X
Dr Jochen Scharpe (Deputy Chairman)	X	X	X	X	X
Natalie Hayday	X	X	X	X	X

X = attendance; O = no attendance

Discussions at the extraordinary Supervisory Board meeting held on 23 January 2020 (held as a conference call) focused on the appointment of a new Chief Financial Officer on the Management Board, the adjustment of the Management Board remuneration system and preparation for the Annual General Meeting.

The main agenda items of the Supervisory Board meeting on 5 March 2020:

- Discussion of the remuneration system and the level of remuneration for the Management Board and discussion of changes to the remuneration system for management level II
- Determination of a quota for the percentage of women on the Management Board
- Adaptation of the Rules of Procedure for the Management Board
- The 2019 annual financial statements, including the management report, and the 2019 consolidated financial statements, including the Group management report, were adopted following a detailed examination and on the recommendation of the Audit Committee.
- On the recommendation of the Audit Committee, the Supervisory Board reviewed and approved the content of the 2019 sustainability report and issued an outlook for the 2020 sustainability report.
- The proposed resolutions and the agenda for the eighth Annual General Meeting were adopted by the Supervisory Board. Among other matters, the proposed resolutions included the appointment of the auditor for the 2020 financial year, say on pay, stock dividends and the addition of one Supervisory Board position. The Supervisory Board also elected Mr Stefan Jütte as the Deputy Chairman of the eighth Annual General Meeting for the event of the absence of the Chairman of the Supervisory Board.
- The Supervisory Board recommended that the Annual General Meeting adopt the report of the Supervisory Board for the 2019 financial year; it also approved the annual report for 2019, including the joint report by the Management Board and the Supervisory Board on corporate governance in accordance with item 3.10 of the German Corporate Governance Code.
- The Supervisory Board examined and determined the short-term incentive and the long-term incentive and thus the Management Board's target achievement in the 2019 financial year. It examined this also on the basis of PwC's confirmation of the mathematical accuracy of calculations for the short-term incentive and on the basis of an actuarial opinion for the long-term incentive programme. Including a discretionary factor for the short-term incentive that was determined by the Supervisory Board, bonus claims of 96.65 % were achieved. This is described in detail in the LEG Immobilien AG remuneration report.
- Other agenda items included the resolution on the updated 2020 sales programme and the acknowledgement of the status of acquisitions, safety precautions and risk management.

At its extraordinary meeting on 12 March 2020 (held as a conference call), the Supervisory Board passed resolutions on an adjustment of the remuneration system and on remuneration paid to the Management Board. The Supervisory Board also discussed in depth LEG's handling of the coronavirus pandemic, how to hold the Annual General Meeting in light of COVID-19 and the potential impact of the pandemic on LEG's liquidity.

At its meeting on 29 April 2020, the Supervisory Board granted its approval to convene the Annual General Meeting as a virtual meeting. It also discussed LEG Immobilien AG's growth opportunities with the Management Board. These discussions were continued at the Supervisory Board meetings on 15, 25 and 26 May 2020.

The main topics addressed at the Supervisory Board meeting on 5 May 2020 were as follows:

- The Supervisory Board discussed an update on the handling and impact of COVID-19, in particular regarding LEG's liquidity situation.
- After detailed reports from the committees, the Supervisory Board acknowledged the quarterly report on Q1 2020 and the Supervisory Board reporting as at 31 March 2020.
- The Management Board reported to the Supervisory Board on the status of portfolio acquisitions and the "new construction/project development" strategy.
- The Supervisory Board received the report on the concept of vacant apartment renovations.

At its meeting on 18 June 2020, the Supervisory Board and the Management Board discussed the acquisition and financing options for the Deutsche Wohnen portfolio and prepared resolutions.

The main focus areas at the Supervisory Board meeting on 18 August 2020 were as follows:

- The quarterly report on Q2 2020 including the II/2020 forecast, and the Supervisory Board report as at 30 June 2020 including the updated liquidity plan, were acknowledged by the Supervisory Board.
- The resolution for the project "broadening the value chain by acquiring a general contractor" was prepared.
- The Supervisory Board formulated the resolution on distributing a "stock dividend".

- Status reports were presented to the Supervisory Board on the acquisition and structural and workflow organisation of LEG Solution GmbH, the LEG communication strategy and on preparation for the Annual General Meeting on 19 August 2020.

At its last ordinary meeting of the year on 3 November 2020, the Supervisory Board discussed the following agenda items:

- The meeting opened with the committee reports from the Executive Committee and the Audit Committee.
- Based on the report and recommendation of the Audit Committee, the Supervisory Board acknowledged the quarterly report on Q3 2020 and the Supervisory Board reporting as at 30 September 2020 and approved the business planning for 2021 to 2025.
- The Supervisory Board discussed updates related to the acquisition and the new construction programme. It established regulations on informing the board of any budget deviations in new construction projects.
- The Supervisory Board considered the report on the status of investor relations/capital market monitoring.
- The presentations on the strategic focus of LEG's own sales company LCS Consulting and Service GmbH and on changes to data protection and compliance law, as well as how these are put into practice at the LEG Group, were discussed and acknowledged.
- The annual submission of the declaration of compliance by the Supervisory Board and the Management Board in accordance with section 161 AktG was adopted.
- It was decided to renew the Management Board agreements with Lars von Lackum and Dr Volker Wiegel.
- Under the agenda item "miscellaneous", the Management Board and the Supervisory Board discussed the challenges of energy efficiency upgrades, the draft Rent Index Reform Act (Mietspiegelreformgesetz), a ruling by the German Federal Court of Justice on passing on modernisation costs and current issues relating to the company.

At the extraordinary meeting of the Supervisory Board on 17 December 2020, the Supervisory Board dealt chiefly with capital market monitoring in connection with growth opportunities for the housing sector, as well as with Supervisory Board issues.

Meetings of the Committees of the Supervisory Board

Executive Committee

- As in previous years, the Executive Committee is made up of Mr Michael Zimmer, Chairman of the Supervisory Board, Mr Stefan Jütte, his deputy, and Dr Johannes Ludewig. The deputy member of the Executive Committee is still Dr Jochen Scharpe. As the Chairman of the Supervisory Board, Mr Michael Zimmer is also the Chairman of the Executive Committee. The Executive Committee met eight times in the 2020 financial year > see table T8. The members' attendance is shown in the table on > page 29 of the report.
- Where needed, the Executive Committee also held a number of conference calls aside from Executive Committee meetings.
- Key issues for the Executive Committee in the 2020 financial year were strategic discussions on growth opportunities, the coronavirus pandemic and its impact on LEG, changes to the Management Board remuneration system and amount of remuneration and the appointment of a new Chief Financial Officer.
- The Executive Committee recommended to the Supervisory Board that the Annual General Meeting be held virtually in August 2020 on account of the pandemic.
- At on-site and virtual meetings, in conference calls and by way of written procedure, the Executive Committee discussed acquisitions of housing portfolios and financing for this, Management Board issues such as the Management Board remuneration system and the new line-up for the Management Board CFO position, as well as the secondary activities of members of the Management Board and the organisational structure of LEG. It also discussed the long-term incentive targets for 2021. In addition, the Executive Committee discussed the remuneration system for management level II. The Executive Committee made proposals for decisions on the matters discussed by the Supervisory Board.
- In 2020, the Executive Committee discussed all decision proposals with an acquisition volume of > EUR 20 million and made proposals to the Supervisory Board for its decisions on these acquisitions.
- As in previous years, discussion of capital market developments that are relevant to LEG and, in connection with this, advice on growth opportunities, including with external consultants, is an integral part of the agenda. In this context, the Executive Committee recommended converting LEG Immobilien AG into LEG Immobilien SE.

Nomination Committee

The Nomination Committee consists of the members of the Executive Committee and meets as required. It suggests suitable candidates to the Supervisory Board for its nominations for Supervisory Board members to be made to the Annual General Meeting. The Nomination Committee convened in the 2020 reporting year and expressed its preference for the appointment of Mr Martin Wiesmann to the LEG Supervisory Board.

Audit Committee

The Audit Committee is made up of Mr Stefan Jütte, the Chairman, Dr Jochen Scharpe, the Deputy Chairman, and Ms Natalie Hayday.

The Audit Committee held five meetings in the 2020 financial year. The members' attendance is shown in the table on > page 29 of the report.

The Audit Committee discussed the following topics at its five meetings:

- The Audit Committee meetings focussed on discussion of the annual financial statements as at 31 December 2019 and the management report for the 2019 financial year as well as discussion of the consolidated financial statements as at 31 December 2019 and the Group management report for the 2019 financial year. Other key items at the meetings of the Audit Committee included the business plan for 2021 to 2025, the analysis and consideration of the reports of the Management Board on the quarterly figures, the internal key performance indicators, the financing strategy and the 2019 sustainability report of the LEG Group.

- Furthermore, at its meetings the Audit Committee discussed the treasury policy and the development of the minimum liquidity, the impact of the coronavirus pandemic on LEG, the updated sales programme for 2020, the audit planning for 2020, the report of the Management Board in accordance with section 107(3) AktG, the calculation of the internal discount rate for internal investment calculations, the challenges posed by energy efficiency upgrades, status reports on the development of acquisition packages and updating the EPRA key figures. The Audit Committee also regularly conferred on the risk reports and the risk inventory of the LEG Group.

- At an extraordinary Audit Committee meeting on 18 February 2020, the decision was made regarding the proposal to the Supervisory Board and Annual General Meeting about the future auditor for the financial statements by way of a structured selection process. The appointment of PwC as auditor for the 2020 financial year and Deloitte Touche Tohmatsu Limited for the 2021 financial year was also discussed in the Audit Committee at its meeting on 4 March 2020.

In four written procedure processes, the Audit Committee adopted four resolutions by written procedure in 2020 relating to granting mandates to PwC for the 2020 half-year statements, to subprojects and in connection with the tender for the auditor for 2021.

The Supervisory Board is regularly informed about the work of the respective committees at its meetings.

Corporate Governance

Working with the Management Board, in November 2020 the Supervisory Board discussed the updated version of the declaration of compliance in accordance with section 161(1) AktG that was issued in the previous year and issued this. As the Code was revised with effect from 20 March 2020, this year's declaration does not, as in previous years, refer only to compliance with current recommendations, but also to compliance with the recommendations set out in the previous version of the Code since submitting the last declaration of compliance prior to 20 March 2020. The updated declaration has been made permanently available on the company's website. www.leg-wohnen.de/en/corporation/corporate-governance/

In the context of the German Act Implementing the Second Shareholder Rights Directive of 12 December 2019 (ARUG II) that came into force as at 1 January 2020 and the associated amendment of the German Corporate Governance Code, the Supervisory Board submitted to the Annual General Meeting on 19 August 2020 an adjustment of the remuneration system, including maintaining the remuneration level, with effect from 2021. The new remuneration system was developed in consultation with a remuneration consultant. The Annual General Meeting on 19 August 2020 approved the adjusted remuneration system.

In accordance with the German Corporate Governance Code, a regular review of the efficiency of the Supervisory Board's work should be conducted in the form of a self-evaluation. The next efficiency review is scheduled for the current 2021 financial year.

At its November meeting, the Supervisory Board was informed of further developments made to the current compliance management system at LEG and of the status of data protection practices in the company.

Audit of annual and consolidated financial statements

The Management Board prepared the annual (separate) financial statements and management report for the 2019 financial year in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements and Group management report in accordance with the provisions of the International Financial Reporting Standards (IFRS), as endorsed in the European Union, and the additional commercial regulations of section 315a HGB. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) was appointed as the auditor of the annual and consolidated financial statements for the 2020 financial year. PwC audited the annual financial statements, including the management report, and the consolidated financial statements, including the Group management report, for the 2019 financial year and issued an unqualified audit opinion for each.

A review of the risk management and monitoring system is included in the audit. In the report on the risk management and monitoring system of the Management Board, the auditor commented on risks jeopardising the continued existence of the company as a going concern. The auditor considers that the risk management and monitoring system is suitable for the early detection of developments that could threaten the continuation of the company.

The Supervisory Board received the audited and certified annual financial statements and the management report for the 2019 financial year in good time. The Supervisory Board conducted its own audit of the annual financial statements, taking into account the report of the auditor and the report of the Chairman of the Audit Committee on the preliminary audit. The same applies to the consolidated financial statements, the Group management report and the proposal of the Management Board for the appropriation of earnings.

At the meeting of the Audit Committee on 4 March 2020 and at the meeting of the Supervisory Board on 5 March 2020, representatives for the auditor explained the results of the audit as a whole and the individual areas of audit focus. There were no objections. The auditors found no facts during their audit that contradict the declaration of compliance. In the committee meetings, the Audit Committee and the Supervisory Board of LEG Immobilien AG discussed the separate and consolidated financial statements, heard reports from representatives for the auditor on its independence and acknowledged the corresponding independence report.

The auditors expressly stated that there were no circumstances giving rise to concern over their impartiality. There were also no objections after a thorough examination of all documents by the Supervisory Board. The Supervisory Board approved the results of the audit.

The Supervisory Board approved the (separate) financial statements and management report for 2019 and the consolidated financial statements and Group management report for 2019 in accordance with the proposal of the Audit Committee on 5 March 2020. The annual financial statements for 2019 were therefore adopted and the consolidated financial statements for 2019 were approved.

The Supervisory Board reviewed the proposal of the Management Board from 1 July 2020 for the appropriation of the unappropriated surplus, taking into account in particular the liquidity of the company and its financial and investment planning. This resolution replaces the resolution on the appropriation of earnings from 5 March 2020. After this review, the Supervisory Board endorsed the Management Board's proposal to distribute EUR 248,435,409.60 as a dividend (EUR 3.60 per share). As proposed to the Annual General Meeting, the Supervisory Board also approved the decision to pay dividends either a) in cash or b) in company shares, at the shareholder's choice. The shareholder can opt to have the dividend for part of his/her shares paid in cash and in shares for the other part of shares.

The remaining unappropriated surplus of EUR 6,598.38 was carried forward to new account.

At its meeting on 9 March 2021, after in-depth examination and discussion, the Supervisory Board adopted the annual financial statements for 2020, including the management report, and approved the consolidated financial statements for 2020, including the Group management report, on the recommendation of the Audit Committee.

Sustainability

The German CSR (Corporate Social Responsibility) Directive Implementation Act to implement an EU directive in addition to the HGB was announced in the German Federal Law Gazette on 18 April 2017. This law requires companies to publish a "non-financial declaration" in the management report or in a separate document referred to in the management report no later than four months after the end of the reporting period (sustainability report). LEG has met this requirement since the 2017 financial year.

The Management Board and the Supervisory Board of LEG Immobilien AG decided to issue the non-financial report for the 2020 financial year as part of the 2020 annual report.

The Supervisory Board of LEG Immobilien AG, which is responsible for reviewing the content, defined the scope of this review in order to prepare for it. As support, it exercised the right to commission an external review of the content.

The Supervisory Board entrusted the Audit Committee with supporting, preparing and reviewing the sustainability report.

Corporate responsibility is a very important matter for LEG and its executive bodies. Mr Stefan Jütte has taken over responsibility for supporting sustainability reporting from the Supervisory Board. Within LEG, a governance structure has been implemented to incorporate the fundamental concept of sustainability in day-to-day business, among other purposes. Overall responsibility for CR activities lies with the Management Board as a whole. They are managed by the LEG Sustainability Committee, which is chaired by the CEO.

The Management Board and the Supervisory Board

Lars von Lackum has been the company's Chief Executive Officer since 1 June 2019. Dr Volker Wiegel was also appointed COO on 1 June 2019. The appointment of Susanne Schröter-Crossan as Chief Financial Officer of LEG Immobilien AG on 1 July 2020 completes the three-person Management Board of the company and the generation change.

The Management Board Team successfully managed LEG through a financial year shaped by the coronavirus pandemic, found a way of handling the crisis that worked for all stakeholders and systematically continued the company's path of growth.

The Supervisory Board is convinced that the Management Board will be able to rise to the challenges of the market and the political conditions that LEG will face. The Management Board has laid the foundations for this. The Supervisory Board is aware that the work ahead will require strategic talent and strong management skills. It believes the company is in the best hands under the leadership of the Management Board.

The Supervisory Board would like to thank the shareholders for their trust in our company. The obligation to protect the interests of our stakeholders is a fundamental pillar of the Supervisory Board's work.

We would like to express our sincere appreciation and thanks to the Management Board and the employees who helped LEG through the crisis in such an unprecedented year and performed outstanding work.

Dusseldorf, 9 March 2021

On behalf of the Supervisory Board of LEG Immobilien AG

MICHAEL ZIMMER
Chairman of the Supervisory Board

Compliance

Compliance is a key element of responsible and successful corporate governance at LEG. LEG has an interest in ensuring the trust of its tenants, customers, business partners, employees, shareholders and the public in its corporate governance. LEG's compliance management system (CMS) is designed with this in mind. In particular, it includes the following elements:

Declaration of fundamental values

LEG's declaration of fundamental values describes the company's objective and strategy, as well as the values that form the basis of LEG's work with customers, employees, investors, business partners and society.

Code of Conduct

LEG's Code of Conduct describes its declaration of fundamental values in more detail and translates the values set out here for every-day business into regulations. It contains regulations for areas such as ethics, compliance, corruption prevention, conflicts of interest, data protection, discrimination and the protection of company property as well as for political and social discussion and donations and applies to everyone who works for LEG. Details on these standards of conduct can be found in internal Group rules and guidelines, which are published on the intranet.

Guidelines, especially guidelines aimed at preventing corruption and conflicts of interest

Group-wide guidelines include, in particular, guidelines aimed at preventing corruption and conflicts of interest. These serve to promote integrity among our employees and avoid corruption and conflicts of interest. The guidelines explain the terms integrity and conflict of interest, as well as explaining and defining bans related to bribery and corruption. The objective of the guidelines is to make employees aware of the development and risks of situations that are susceptible to corruption in all areas of the LEG Group and to clarify the applicable compliance requirements. They therefore help prevent corruption. It is the responsibility of every employee and manager to comply with these guidelines. There is a zero-tolerance-policy in place.

Business Partner Code

LEG's Business Partner Code is agreed with business partners, is binding and sets out collaboration principles to guarantee integrity, reliability and economically and ethically sound standards of conduct as well as standards regarding environmental protection.

Human rights guidelines

LEG is committed to upholding the human rights of all employees and all those involved in its business operations, and it expresses this in its human rights guidelines.

Based on these fundamental provisions, the CMS bundles measures intended to ensure compliance with legal provisions and internal guidelines. CMS measures include frequent and ad hoc training sessions for employees. The LEG compliance management system also features a whistle-blower system. All information is investigated and measures are taken as appropriate.

The regular analysis of compliance risks in combination with the early recognition of significant business and litigation risks, and the corresponding countermeasures, are at the heart of the compliance system.

LEG has appointed a Compliance Officer to head up the compliance management system. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee training and advice. At regular meetings, the heads of Internal Audit, Law and Human Resources departments discuss the design of the compliance management system. Permanent benchmarking against other compliance management systems and independent assessment by external experts also serve to ensure the continuous development and improvement of our compliance management system. In 2019, the compliance management system of LEG was certificated by the Institute for Corporate Governance in the German Real Estate Industry. In 2021, LEG strives for a renewed certification.

Compliance is assigned to the Legal, Internal Audit, Compliance, Governance Bodies and Human Resources department, whose head reports directly to the CEO of LEG.

The Audit Committee of the Supervisory Board discusses the topic of compliance on a regular basis and reports to the Supervisory Board accordingly. In the event of urgent notification of serious cases, the Management Board and the Supervisory Board committees are promptly informed of significant developments in the area of compliance.

Other guidelines

Other guidelines that are mandatory for all employees concern the topics employees and diversity, whistle-blower, environmental and water. They are published on the website of the company: www.leg-wohnen.de/en/corporation/sustainability/codes-and-guidelines/policies.

3

GROUP MANAGEMENT REPORT

Basic information on the Group

G4

LEG Group structure

LEG Immobilien AG

COMPANIES WITH EMPLOYEES
e. g.:
- LEG Management GmbH
- LEG Wohnen NRW GmbH

ASSET HOLDING COMPANIES
e. g.:
- LEG NRW GmbH
- LEG Wohnen GmbH
- Ravensberger Heimstätten-gesellschaft mbH
- LEG Wohnungsbau Rheinland GmbH
- Ruhr-Lippe Wohnungs-gesellschaft mbH
- Gladbau-Gruppe
- LEG Niedersachsen GmbH
- LEG Rhein-Neckar GmbH

SERVICE COMPANIES
- WohnServicePlus GmbH
- EnergieServicePlus GmbH
- TSP-TechnikServicePlus GmbH
- LWS Plus GmbH

OTHER COMPANIES
- LCS Consulting und Service GmbH
- Biomasse Heizkraftwerk Siegerland GmbH & Co. KG

> Management Board members' responsibilities
> List of shareholdings

Group structure and legal form

LEG Immobilien AG was formed in 2013 following the transformation of LEG Immobilien GmbH. The LEG Immobilien AG Annual General Meeting on 19 August 2020 resolved to establish LEG Immobilien SE by merging LEG Immobilien AG as the absorbing entity with LEG Immobilien N.V. as the absorbed entity. When the merger becomes effective, LEG Immobilien AG will assume the legal form of an SE named LEG Immobilien SE. A diagram of the Group structure of LEG Immobilien AG is shown in > figure G4.

Business activities and strategy

Business activities

With a portfolio of around 145,000 apartments at approximately 210 locations, LEG is the regional market leader in North Rhine-Westphalia (NRW) as well as one of the leading residential property companies in Germany for affordable housing. LEG's core business is the management and development of its own residential portfolio. The business model is geared towards growth and customer focus and takes a sustainable, value-oriented approach.

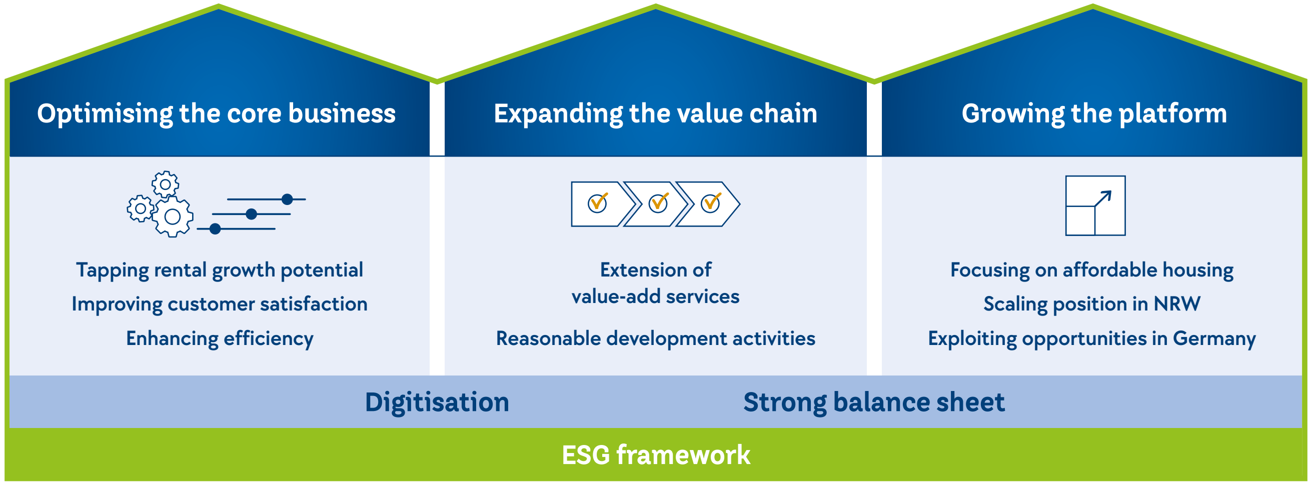
Thanks to the strategic focus on the affordable segment and its deep roots in the North Rhine-Westphalia metropolitan region, LEG benefits in particular from this region's positive economic and demographic data. NRW is not just the most densely populated federal state and Germany's economic heavyweight, but also one of Europe's largest conurbations and a core region for immigration. With an average apartment size of 64 square metres and an average monthly rent of EUR 5.94 per square metre, LEG's housing is aimed at broad swathes of the population. Over 90 % of the portfolio is located within the 60 km catchment area of structural high growth markets, almost 60 % alone in the commuter regions of the prosperous cities Dusseldorf and Cologne. Thanks to its regional presence, LEG has a competitive edge in terms of property management, operating efficiency and market knowledge. On this basis, LEG is pursuing the expansion of its regional focus, particularly in bordering states that have comparable structures. Since 2019, LEG has successfully expanded into the attractive regions of Osnabrück, Oldenburg, Bremen, Hanover, Brunswick, Flensburg, Koblenz and the Rhine-Neckar region.

Optimisation of core business – strengthening organic growth

LEG sees keeping reliable customers and gaining good new customers as key to its long-term success. The 2025 strategy presented in 2019 provides the framework for a strong customer focus and further improvements in service quality and customer experience, taking account of economic efficiency and suitable value for money. The continuous improvement of internal processes and structures contributes to customer satisfaction as well as to efficiency. Here, LEG specifically focuses on the benefits that digitisation can bring for customers, employees and the company itself – for example, by using an accounting robot to handle mass processes, digitalising the rental process by offering digital rental agreements, or communicating with customers via the tenant app and the tenant portal. In LEG's view, optimising core business also means further increasing operational excellence, not least an intelligent and flexible marketing of the housing portfolio and agile adjustment of its rental services in order to keep leveraging potential for rent increases even with growing regulation.

G5

Our strategy



In the 2020 financial year, rental growth at LEG on a like-for-like basis came to 2.3 %, a decrease on the previous year's 2.9 %. This was driven in large part by the decision made at an early stage to voluntarily suspend rent increases at the height of the Covid-19 crisis in the second quarter. Increases were gradually reintroduced towards the end of the third quarter, some of which do not take effect until 2021. Some modernisation projects were also postponed on account of the first lockdown and will not generate rental income until 2021. Investments were increased to around EUR 41 per square metre for 2020, in part to take advantage of the capacities of craftsmen available on the market and the VAT reduction. As modernisation takes up to 36 months depending on the individual project in question, there will be a lag before investments lead to an increase in rent. The positive rental development is expected to continue in the coming years. In its free-financed portfolio, rent increases can be made as a result of rent table adjustments, when letting properties to new tenants and in connection with modernisation measures. In the rent-restricted portfolio, inflationary developments can be passed on to tenants in the form of cost rent adjustments every three years and also in connection with value-adding modernisation work. In 2020, rents for rent-restricted properties thus rose by 2.0 % (on a like-for-like basis). Until 2028, rent control is set to expire for around 25,000 residential units in the current rent-restricted portfolio. In the long term, this provides leeway for rent adjustments on properties where the rent, in many cases, is significantly below market levels.

Extension of the value chain – value-added services and new construction

The customer base of around 400,000 inhabitants is the foundation for expanding services. LEG aims to create value-added for both its tenants and its shareholders with innovative offers such as multimedia. By working with partners, external expertise is combined with LEG's management expertise to minimise risk. LEG successfully launched its multimedia business, WohnServicePlus, in cooperation with Vodafone back in 2014. In January 2016, EnergieServicePlus took on energy technology and utilisation services for LEG's properties. LEG has also been offering its tenants green electricity and gas through its cooperation with the utility company lekker since 2019. Since 2017, LEG and B&O Service und Messtechnik AG have been running the joint venture TSP – TechnikServicePlus (51 % share held by LEG) for the management of small repairs. LEG took over Fischbach Services in Q4 2020 to establish it as the fourth business area under the name of LWS Plus within its Services area. As a project management company, LWS Plus provides LEG with craftsmen capacities for renovating vacant and soon-to-be-vacant properties. This should lower vacancy periods, increase the quality of craftsmen work and improve rental potential. In addition to increasing customer satisfaction, the services make a significantly positive contribution to earnings. All services activities generated FFO I of around EUR 31 million in 2020. The principle followed by LEG here is that all of the parties involved – tenants, cooperation partners and LEG – should benefit from the offer.

Another component of its strategy is to construct at least 250 new apartments per year on its own land from 2023 onwards. For this purpose, all LEG land has been examined for opportunities for more efficient use. LEG is also monitoring the market with regard to suitable and affordable land. By purchasing project developments, LEG aims to offer another 250 new apartments per year from 2023 onwards. LEG is thereby contributing to the creation of additional affordable housing. LEG completed 38 new units in Hilden in 2020, with additional projects in planning or acquired by project developers. This puts LEG on track to expand its portfolio by around 500 new units a year starting in 2023.

Active portfolio management – external growth and portfolio optimisation

LEG has grown steadily in recent years to currently 144,530 apartments. There are clear regional, structural and financial criteria for acquisitions. North Rhine-Westphalia is and will remain by far the most important target region. As part of the refocus in 2019, the growth focus was expanded to include additional states in western Germany. This helps LEG diversify regionally while still drawing on existing resources and capacities when managing acquisitions.

LEG sets clear criteria for its expansion: Given its strong presence in NRW, LEG also acquires smaller portfolios in all market locations because it has the required market expertise and a network of employees and because it can integrate these quickly and at no additional expense.

Outside North Rhine-Westphalia, LEG takes a very disciplined approach to expansion. When looking to enter new locations, LEG focusses on stable growth markets that fit its definition. This limits market risks. At the same time, it aims for locations of at least 1,000 units or requires sufficient visibility that this minimum threshold can be achieved in a suitable period of time. This allows the company to deploy its own employees at new locations, meaning that it can manage the new properties efficiently. Where LEG already has established neighbourhoods outside NRW, it also considers smaller-scale properties nearby.

The key financial data have to be right for all acquisitions: investment returns higher than the cost of capital, rising operating margins, a positive contribution to FFO and higher NAV. As for all investments, the top priority is capital discipline. LEG fundamentally manages and develops the properties it acquires with a view to the long term.

LEG's aim for 2020 was to acquire around 7,000 new units and it successfully exceeded this target, purchasing 9,535 units. 8,273 of these were outside NRW. This increases the share of residential units outside North Rhine-Westphalia from 3 % at the start of the year to 8 % of the overall portfolio.

The German residential property market proved extremely robust in 2020 and rent defaults were very low, in part thanks to Germany's strong welfare system. With German government bonds yielding negative interest, this also triggered the demand of strategic buyers and institutional financial investors. However, LEG competitors also gave up their properties in the affordable housing asset category, for example to step up their focus on other market segments. With its specialised focus on affordable housing and its good reputation, LEG was often seen as a natural buyer. LEG expects that it will be able to benefit from this ongoing market segmentation in the future, too. By purchasing two larger portfolios with a total of 7,500 units, LEG successfully followed through on its growth strategy outside NRW, generating growth in the regions of Koblenz, Rhine-Neckar, Brunswick, Hanover and Flensburg. At the same time, LEG regularly streamlines its portfolio, moving on from locations that can be managed more effectively by other owners. Despite this, LEG intends to continue to be a net buyer, developing its portfolio through external growth.

Financial stability

LEG's business model and the company's ongoing growth are ensured by a solid statement of financial position and a favourable, secure, long-term financing structure in the interests of all stakeholders. A low LTV of 37.6 %, an average remaining term on financial liabilities of 7.4 years and average financing costs of 1.33 % with interest rate hedging of 92.5 % document LEG's defensive risk profile and its strong position on the financing market. In 2020, LEG financed the acquisition of the two largest portfolios with a total of around 7,500 units at attractive conditions. Overall, issuing 2.37 million new shares with a volume of EUR 273 million and a EUR 550 million convertible bond brought in EUR 822.6 million. LEG has had an investment grade rating (Moody's Baa1) since May 2015 and thus has access to the widest range of debt instruments.

Digitisation as an opportunity

LEG is successively working on digitalising its processes and its business so that it can take advantage of the opportunities this opens up. LEG introduced digital leases even before the Covid-19 crisis and so was well prepared for the changes to the rental process required on account of the pandemic. The entire rental process can now be done digitally, with viewings done virtually, including digital authentication, the option to upload documents and a digital signature. In addition, LEG uses over 20 robots solutions (RPA) for tasks ranging from bookings to processing customer enquiries in different areas. Pilot tests of artificial intelligence and the use of sensors and data analysis also help improve processes.

Sustainable actions as a responsibility to society

LEG exercises its social responsibility and takes care to ensure broad social acceptance. Climate protection is a focus of its modernisation programme, the main goal of which is upgrading energy efficiency in LEG's housing portfolios. To enable this, LEG increased investments significantly in 2020 to around EUR 41 per square metre and intends to raise this to EUR 40–42 per square metre in 2021.

LEG's social commitment is also reflected in a high share of subsidised housing, which accounts for a quarter of total properties (about 36,000 homes). LEG provides housing at an average price per square metre of under EUR 5. In 2020, LEG also temporarily suspended rent increases, lessening the burden on its tenants. Moreover, the new foundation "Your Home Helps", with capital of EUR 16 million, and the established LEG NRW Tenant Foundation form part of this social concept. LEG provides a home to a wide range of people and also promotes diversity within its workforce. To give employees a share in the good results generated in 2020 and to compensate for their great commitment in difficult times, LEG paid all of its approximately 1,600 employees a EUR 1,111 coronavirus bonus in 2020. The company also maintains ongoing dialogue with all stakeholder groups – customers, employers, shareholders, media, municipalities and politicians – to gain a better understanding of the social expectations and the measures LEG need to take to establish and retain trust and to expand partnerships.

ESG ratings offer key guidance for commitment to the environment, social issues and good corporate governance. In 2020, LEG significantly improved its ESG rating from Sustainalytics, which rates companies' sustainability risks on a scale from zero (best) to 100, to 10.4, putting it in the top 2% of all 13,000 firms analysed by Sustainalytics worldwide.

Group Management System

The strategy of LEG is geared towards sustainably developing the company and consistently increasing its enterprise value. In order to better deviate and reach the targets set by the value-oriented corporate strategy LEG uses a value-oriented Group management system.

The management system of the LEG Group continues to be built on a control concept based on performance indicators, with the planning process serving as a key instrument. This is an integrated process resulting in five-year planning consisting of the statement of comprehensive income, the statement of financial position and the statement of cash flows. The entire process is based on detailed planning for the one-year detailed planning period specific to properties, persons and projects, and, built upon this, an update for the subsequent four-year rough planning period which takes into account the development of the key performance indicators. As part of the forecast process, planning for the current and following financial years is revised and updated at regular intervals on the basis of the current business performance. There is also a close connection between planning and forecasts with the risk management system, with the result that corresponding countermeasures can be promptly derived and implemented for any risks ascertained. Cash flow forecasts for the development of the liquidity situation are prepared on a monthly basis and allow potential financial risks to be identified at an early stage.

The Management Board, the Supervisory Board and executives are informed about the most relevant value drivers and current business performance on a monthly or quarterly basis in the form of standardised reporting. In addition, executives have access to up-to-date online reports in line with a "self-service" concept. Thanks to a front end (Microsoft Power BI) some of them are gradually also becoming available on mobile devices such as tablets and smartphones.

The foundation for this reporting system is the IT-based Group data warehouse, which is connected to the Group-wide SAP system, operating sub-systems and to the planning system. As part of this regular reporting, current actual data is compared against forecast data, with any deviations being analysed and commented on before countermeasures are developed and introduced. Particular importance is attached to deviations in leading indicators that provide an outlook for future business performance. Key leading indicators are data such as the termination of leases, fluctuation, completions of renovated vacant apartments, changes in the regulatory environment and also interest rate developments.

In addition to monthly reporting, talks are held in person at various levels on a weekly and monthly basis, where current business figures are analysed, measures – e. g. for improving efficiency – are devised and their effectiveness is reviewed. The efficiency of Group management is determined to a large extent by the effectiveness of the management cycle.

The overall system of key performance indicators is structured by functional areas to ensure a targeted control of individual areas. There is a target definition and achievement system within the functional areas. Corresponding responsibilities for all value drivers are defined within the organisation. The target system relates to the focus of the individual levels of hierarchy.

Essential financial key performance indicator for Group management is FFO. Further key figures relevant for the property industry, such as NAV and in the future NTA as well as LTV and net debt/EBITDA ratio, are also aggregated, analysed and assessed at Group level.

Furthermore, other financial performance indicators, such as the breakdown of the financing structure as well as key figures and effects in connection with investments and acquisitions, are subject to special monitoring, and there is regular benchmarking against the corresponding figures for competitors.

In the functional area "residential", LEG focuses in particular on further improving the performance indicators in its operating business. Key indicators include rent per square metre and vacancies, which directly and indirectly influence the Group's key figures. In particular, the key indicator for vacancies is analysed in detail using differentiated key indicators such as the number of completed renovations of vacant apartments, the letting performance (net lettings or terminations during a period) and analyses of the respective reasons for the vacancies. The corresponding cost items, such as maintenance measures and staff and non-staff operating costs, are budgeted and monitored. Monthly reporting is used to analyse effect relationships and to derive measures. The impact of acquisitions is examined separately.

The functional area administrative and other expenses primarily consists of the central divisions that perform general Group functions. Detailed budgets for the individual cost positions are discussed and agreed with the respective cost centre managers. There are further key figures that are subject to monitoring and reporting on a regular basis.

For staff costs, non-financial indicators – such as sickness rate, employee turnover and staff development needs – are taken into account in the management report.

The nature of the industry means that debt service plays an important role in company management on account of the importance of the liquidity and earnings situation. The Corporate Finance & Treasury division, which is responsible for liquidity controlling, ensures the LEG Group's liquidity position while taking account of developments within the Group and on the market. Based on current forecast figures and risk and opportunity reports, liquidity scenarios are included in reporting and measures are derived on this basis. Additional financial reports on refinancing, covenants and interest rate developments are also important elements of the Management Board and executive report.

From 2021, the Management remuneration system also includes non-financial performance indicators:

- Environmental targets: Completion of modernisation measures classified as energetic refurbishment in relation to the number of residential units as at 31 December 2019; Reduction of the climate-adjusted CO_2 emissions in kg per sqm in the next four years, in relation to the portfolio of the base year 2019
- Social targets: Reduction of the tenant iteration call ratio compared to 2020; Development of the Trust index of the biennial employee survey "Great Place to Work"
- Governance targets: Stabilisation of Sustainalytics rating

Economic report

General economic conditions

Major economic downturn in Germany and eurozone on account of pandemic

With the German economy performing well at the start of the year, the measures introduced from mid-March to contain the coronavirus pandemic – in particular the first lockdown – triggered a massive collapse in economic activity. Given that all key economic actors such as companies, consumers and foreign trade partners were affected at the same time, the economy contracted at an intensity and speed not seen since the end of the last world war.

Real GDP in Germany declined by 11.3 % year on year in the second quarter of 2020. After recovering slightly in the following quarter, the final quarter of 2020 saw another substantial year-on-year downturn of – 2.9 % in response to the second lockdown. According to the Federal Statistical Office, real gross domestic product (GDP) fell by 5.0 % overall in 2020. Sectors that have been hit particularly hard include retail (with the exception of convenience goods), the food service industry and services related to tourism, leisure and culture.

As measures to tackle the coronavirus crisis imposed severe restrictions on consumption, consumer spending slumped by 6.6 % in 2020 as a whole. By contrast, the saving rate picked up considerably, with Bundesbank estimates putting the figure at 17.1 % compared to 10.9 % in the previous year. Corporate investments decreased by a considerable 9.1 %, reflecting uncertainty about how the pandemic would develop and its influence on sales markets performance. However, this downward trend was less pronounced for construction investments. Investments in residential construction, in particular, experienced only a slight decline thanks to less stringent pandemic restrictions and continued high demand.

Exports tumbled by a massive 10.5 %, attributable to the fact that key international sales markets used by German companies were often harder hit by the coronavirus crisis than global trade as a whole. By contrast, the extensive fiscal and monetary policy measures taken by the European Union, Germany and German states as well as the European Central Bank to combat the pandemic and its consequences helped support the economy.

Forecasts for 2021 are thus subject to considerable uncertainty at present. The Bundesbank's most likely scenario for 2021 puts GDP growth at 3.0 %. It believes that economic recovery will be aided chiefly by private consumer spending, as restricted spending in 2020 was largely involuntary.

The pandemic affected eurozone countries differently depending on the spread of the virus and the severity of restrictions. All in all, economic activity slid sharply in the first half of the year, the effects of which were offset somewhat by signs of recovery in Q3. The European Commission estimates that real eurozone GDP likely shrunk by 7.8 % in 2020. Forecasts for 2021 and subsequent years remain uncertain and subject to risk. In its Autumn Forecast, the European Commission anticipates GDP growth of 4.2 % in 2021. The EUR 750 billion "NextGenerationEU" recovery plan is expected to be a key driver of this.

In addition to the general economic situation, the performance of the labour market, income and prices represent additional key conditions for LEG's business model.

The coronavirus pandemic put an end to the long-Standing positive trend on the German labour market. According to figures from the Federal Statistical Office, an average of approximately 44.8 million people were in work in Germany in 2020, 1.1 % lower than in the previous year. Given the massive decline in the amount of work, however, the labour market therefore looks relatively robust. This is chiefly thanks to the extensive use of short-time work regulations and other stabilising measures.

Based on the entire civilian labour force, the overall German unemployment rate in 2020 on average rose by 0.9 percentage points to 5.9 %. This figure also increased in North Rhine-Westphalia, rising by an average of one percentage point over the year to 7.5 %.

Immigration to Germany, which has significantly boosted employment in the last few years, declined sharply on account of global travel restrictions imposed in 2020 as a result of the pandemic. According to Deutsche Bundesbank estimates, net entries roughly halved in comparison to 2019. Nevertheless, immigration is likely to pick up again starting in mid-2021, with a positive net balance of 250,000 people for the year as a whole.

Wages and salaries also grew in 2020. Standard wages increased by an average of 2.2 %. Inflation, measured by the Harmonised Indices of Consumer Prices (HICP), rose by just 0.4 % over the year on average. Inflation was negative in the second half of 2020, with December's rate down – 0.7 % on the previous year. This development was driven largely by the temporary reduction in VAT and lower energy costs.

In comparison to other sectors, deteriorating economic conditions had only a slight impact overall on business operations in the housing industry and thus on LEG in the reporting year. The main reasons behind this are the extensive measures taken by governments to support people in work, a smaller increase in costs overall and the fact that affordable housing is particularly important in times of crisis.

NRW residential market

Demographic change

North Rhine-Westphalia (NRW) accounted for around 92 % of the LEG portfolio at the end of 2020. In light of this, the general conditions on the residential market, including demographic change in the state, are particularly important. NRW has seen its population continue to grow in the last few years – especially in 2018 and 2019 – as a result of people migrating to its major cities from abroad. At the same time, however, there has also been a trend towards internal migration away from major cities to surrounding areas. Data on demographic trends for the calendar year 2020 was not yet available when preparing this report. Nonetheless, the latest population forecast compiled by IT.NRW anticipates a longer-term upward trend and a rise in the population until 2030 and beyond.

Although the number of households declined slightly in 2020 in comparison to the previous year, demographic change is continuing to drive this figure up, especially the number of single-person households. According to recent calculations by NRW-Bank, the number of households is therefore expected to continue to rise in the long term until 2040 and beyond.

Rent development

Rents continued to increase in 2020 despite high levels of construction. Nevertheless, growth momentum did slow considerably in comparison to previous years. While asking rents picked up across all districts, growth rates are in some cases still lower than in previous years. One driver of this was the coronavirus pandemic, which resulted in lower market fluctuation and meant that lessors did not look to increase rent or did so only to a lesser degree.

The price of new lettings also rose throughout North Rhine-Westphalia in 2020. Despite construction picking up in the last few years and a rise in advertisements for homes, demand for rental apartments remains high. Accordingly, average asking rents in 2020 were around 2.9 % higher than in the previous year. Nonetheless, it is important to note here that newly built apartments tended to be in the upper price segment, which contributed to the higher average price. Asking rents also rose less sharply than in 2019 (up 3.1 %) and 2018 (up 3.8 %).

The most attractive housing markets, which feature average prices of over EUR 10 per square metre, saw higher-than-average increases. Median rent prices in Cologne, for example, climbed to EUR 11.82 per square metre (up 3.8 %), in Dusseldorf to EUR 11.07 per square metre (up 3.5 %) and in Bonn to EUR 10.47 per square metre (up 4.7 %). In Münster, median rent was EUR 10.48 per square metre and rental growth came to 2.4 %, below average.

As in previous years, there were no regional divergences in growth at district level, as developments in asking rents were essentially homogeneous across the board. Rents were up by between 1.9 % and 5.8 % on the previous year. Most – 38 of 53 districts in NRW – saw growth of between 2.5 % and 4.5 %. Growth was highest in the Düren district, where rent rose by 5.8 % to EUR 6.93 per square metre, the Euskirchen district (up 5.2 % to EUR 7.02 per square metre) and the Herford district (up 5.2 % to EUR 6.31 per square metre).

As in previous years, the most inexpensive rental apartments were located in the Höxter district with monthly rent of EUR 5.18 per square metre (up 3.6 %). The Hochsauerland district (average rent of EUR 5.73 per square metre, up 4.2 %), the Märkische district (EUR 6.00 per square metre, up 2.9 %), the Hagen district (EUR 5.75 per square metre, up 3.4 %) and the Gelsenkirchen district (EUR 5.93 per square metre, up 3.1 %) were again the regions with the lowest asking rents in NRW. The smallest changes were seen in the Coesfeld district (up 1.9 % at EUR 7.02 per square metre), in Siegen-Wittgenstein (up 2.0 % at EUR 7.14 per square metre) and in the Rheinisch-Bergisch district (up 2.1 % at EUR 8.68 per square metre).

Rent-restricted apartments

The number of rent-restricted apartments in North Rhine-Westphalia is continuing to decline. In 2019, the number of such units fell by 1.5 % or 8,100 units against the previous year to 526,400. This means that about 9.3 % of all apartments in multi-story residential buildings were subject to rent restrictions. Approximately 456,800 of these were rental apartments.

Approx. 140,100 apartments were still subject to past rent restrictions in 2018, increasing to 161,600 at the end of 2019 (up 15.3 %). This means that rent control will expire for about a third of subsidised homes in NRW within the next ten years.

Rent-restricted apartments accounted for less than 10 % of all homes in the particularly attractive residential markets of Dusseldorf, Cologne, Münster and Bonn. While the number of subsidised homes in cities such as Dusseldorf or Münster actually increased slightly in absolute terms thanks to new funding in 2019, they still account for only a small share of total multi-story residences (5.3 % in Dusseldorf, for example).

Specific data for calendar year 2020 was not yet available when preparing this report.

Completed buildings

The number of completed buildings remained high. Around 48,600 homes were completed in 2019, the highest level since 2005. Once again, however, this was not enough to achieve the target of 80,000 apartments per year that are actually needed in NRW to keep up with demand.

57,300 building permits were issued in 2019, an increase of 3 % and the highest figure since 2004. The pick-up in new building means that the construction industry is increasingly working at high capacity in North Rhine-Westphalia. The disparity between the number of building permits and the number of completed buildings creates a construction backlog. This rose to 112,000 homes by 2019, and so many buildings are expected to be completed in the years ahead.

In the affordable segment of the residential market, however, the level of new construction is still very low.

Data on completed buildings for 2020 as a whole was not yet available when preparing this report.

Vacancy development

Active vacancies in North Rhine-Westphalia were unchanged in 2019 in comparison to the previous year. NRW is thus following the trend setting in across Germany, with vacancy rates failing to decline for the first time in 13 years. Compared to a vacancy rate of 2.8 % for Germany as a whole, NRW's rate of 3.0 % is about 20 basis points higher than average.

Immigration and people – mainly younger households – relocating for training or professional reasons continued to push up demand in popular cities. Residential markets such as Dusseldorf, Cologne, Bonn and Münster have both the highest asking rents and the lowest vacancy rates in NRW. While vacancy rates in Dusseldorf (1.3 %), Cologne (0.9 %) and Bonn (0.9 %) declined again marginally, the vacancy rate in Münster was unchanged at a low 0.4 %. As in the previous year, Münster therefore again ranks among the cities with the lowest vacancy rates in all of Germany. Only Frankfurt (0.2 %), Munich (0.2 %) and Freiburg (0.3 %) had lower rates.

18 – 29 year-olds flocking to relocate to urban areas, combined with immigration from abroad, prompted increased population growth in major cities, especially in the first half of the last decade. This rural exodus was driven mainly by people in this age group moving to large cities and university towns for training or professional reasons. Internal migration, however, means that almost all major cities have lost residents to the surrounding areas. This trend is particularly prominent in the Rhineland and Münsterland and among 30 to 49 year-olds.

Strained housing markets therefore also affected surrounding areas. Lower-than-average vacancy rates were found in commuter regions of the Rhineland, such as the Mettmann district (2.0 %), the Rhine district of Neuss (2.2 %), the Rhein-Erft-Kreis district (2.1%) and Leverkusen (1.5 %).

While the vacancy rates in the metropolitan areas remained low or decreased again slightly, high and increasing vacancy rates were recorded in some rural districts. The Hochsauerland district has the highest vacancy rate in NRW at 9.4 %. As well as cheap rent, the surrounding region is also affected by increasing vacancies. As in the past, vacancy rates rose in the Märkisch district (5.2 %), the Hagen district (5.0 %) and the Olpe district (3.4 %) in comparison to the previous year.

Data on the vacancy development in 2020 was not yet available when preparing this report.

Development of purchase prices

While the upward movement in rent prices is flattening, purchase price momentum remains high. Purchase prices have climbed considerably in all residential markets for owner-occupied apartments, detached houses and apartment buildings.

The average offer for owner-occupied apartments in North Rhine-Westphalia rose to EUR 2,649 per square metre in 2020, up 10.2 % on the previous year. The average price for new builds increased by 7.7 % to EUR 3,780 per square metre. It is notable that the cost of ownership is rising in all residential markets in NRW. About 30 of 53 districts are seeing double-digit growth in asking prices.

The highest purchase prices were paid in regions experiencing high growth. With a median of EUR 4,392 per square metre, the state capital Dusseldorf – as in the prior year – was the most expensive market to own a home in NRW. It was followed by the cities of Cologne (EUR 4,294 per square metre), Münster (EUR 4,235 per square metre) and Bonn (EUR 3,309 per square metre). Of the top four locations, Münster saw the most significant increase in purchase prices, which rose by 13.4 %.

The same pattern was seen for new build homes. With a median asking price of EUR 6,327 per square metre, Dusseldorf had by far the highest prices. New build properties in Cologne came with an asking price of EUR 5,731 per square metre, in Münster the figure was EUR 5,042 per square metre and in Bonn EUR 5,000 per square metre. In Münster, it was also this segment that saw the most dramatic price growth (up 18.6 %).

The cheapest place to purchase property was in Gelsenkirchen. The cost of buying a home here was a third of that in the state capital at EUR 1,227 per square metre. Otherwise, the only places where average purchase prices fell below the EUR 1,500 per square metre mark were Höxter, the Hochsauerland district, the Märkisch district, Hagen, Oberhausen and Duisburg.

The costs of purchasing a detached or semi-detached house in NRW reached an average asking price of EUR 2,506 per square metre, a 10.4 % year-on-year increase.

The development of the apartment buildings segment was similar to that of owner-occupied apartments. The asking price for apartment buildings in NRW rose by about 11.1 % to an average of EUR 1,694 per square metre.

The top four locations Dusseldorf, Cologne, Münster and Bonn were also close together in this segment. Median asking prices for apartment buildings, however, were highest in Cologne at EUR 3,537 per square metre. Münster (EUR 3,453 per square metre) saw median price growth of around 20.9 % for apartment buildings, putting asking prices almost on par with those in the state capital Dusseldorf (EUR 3,464 per square metre). With an asking price of EUR 3,000 per square metre, Bonn came in fourth place in NRW.

Fundamentally, average asking prices have increased in all districts. Only in the Olpe district was the average asking price slightly lower than in the previous year at EUR 1,079 per square metre (down 0.4 %). The most inexpensive markets for apartment buildings with a median price under the EUR 1,000 per square metre mark were the Olpe district (EUR 983 per square metre), the Hochsauerland district (EUR 840 per square metre) and Höxter (EUR 651 per square metre).

Transaction market

German residential property remained one of the safest and most popular asset categories worldwide in 2020. According to CBRE, a total of EUR 20 billion was invested in portfolios with 50 or more units on the German residential property investment market in the reporting year. This represents the second-highest transaction volume since 2015. The coronavirus pandemic has thus not affected the residential investment market to date. Investors regarded residential and logistics as the most attractive asset categories. As well as stable cash flows from rental income, the widening spread between yields on government bonds and residential property was a key driver. The market therefore saw a 21% increase in volume in the reporting year as against 2019, despite the pandemic. The biggest single transaction in 2020 was the merger of two listed companies for a total of EUR 6 billion.

The trend towards lower yields on residential investments continued. Prime yields in the top five cities at the end of 2020 averaged 2.3% (2019: 2.4%). This change reflects strong demand and an ongoing positive risk assessment. Nonetheless, there are significant differences between individual market segments. While rent multiples remained stable overall in exclusive locations (known as the core and core plus segment), opportunistic and value-add investors were prepared to accept higher rent multiples in B and C locations than they were a year ago. Areas on the outskirts of major cities and economically dynamic centres outside the top markets, for example, saw particularly strong yield compression. However, the average purchase price for transactions in the reporting year was lower than in the previous year on account of differences in the quality of properties. On average, EUR 2,100 was paid per square metre and EUR 130,600 per unit in 2020.

International investors increased their market share of the transaction volume from 13% in 2019 to over 60%. In response to the pandemic, investors from other asset categories increasingly made an appearance in the housing sector as interested parties and buyers in 2020. The largest groups of buyers in 2020 were listed property companies, investment funds, special funds and institutional investors such as pension funds, pension schemes and insurance companies, with an EUR 8.8 billion total increase in investment volume. Investors with a long-term focus such as insurance companies and pension funds, in particular, saw residential property as an alternative to government bonds, which had become increasingly unattractive in light of low or negative interest rates.

German property companies focused chiefly on growth in 2020 in the form of forward deals (acquisitions of new construction projects), acquisitions of project developers or increased land banking. There was high demand in particular for plots that had already been granted planning permission and partially completed projects. Within Germany, the focus of investment was on prospering regions outside major cities. As a result of this focus, regions that in the past have featured primarily detached and semi-detached houses are now also seeing the emergence of larger rental markets.

As in the previous years, North Rhine-Westphalia was one of the most sought-after regional investment locations in the residential segment in 2020. A total of around 28,000 residential units were sold for approximately EUR 3 billion last year as part of portfolio transactions or as large-volume individual properties. This represents a year-on-year rise of around 11% (2019: approx. EUR 2.7 billion). Forward deals accounted for about 12% of the investment volume. North Rhine-Westphalia made up about 15% of the total German transaction volume, a similar level as in the previous year (2019: 16%).

CBRE estimates that high investor interest will likely continue uninterrupted in 2021. However, the transaction volume could be restricted by the limited number of larger portfolios and so CBRE expects the investment volume to be lower than in the previous year at around EUR 15 billion.

Employees

LEG offers its employees "more than a roof over your job". www.leg-wohnen.de/en/corporation/career/ As in the previous years, and in particular in light of the extraordinary circumstances presented by the coronavirus pandemic, a large number of activities in the areas of training, ongoing professional development and health management were implemented in the 2020 financial year. A central concern is to develop each employee individually and to support an attractive, pro-performance culture of cooperation. In light of the exceptional circumstances, for example, extensive remote working regulations were introduced. These are intended to remain in place in the long term and should help create a modern, motivating working environment and reconcile personal and professional interests.

Number of employees

LEG employed 1,599 people at the end of 2020 (2019: 1,444). 60 of these were trainees (2019: 51). Adjusted for members of the Management Board, managing directors and trainees, the number of fulltime equivalents (FTEs) was 1,443.7 (2019: 1,287.7 FTEs).

T10

LEG employees as of 31 December

	2020	2019
Total	1,599	1,444
male in %	64.5	63.5
female in %	35.5	36.5
Full-time[1]	950.0	874.0
Part-time[1]	183.0	159.0
FTE (excluding Management Board members and trainees)	1,444	1,288
Fluctuation rate in %[1]	7.5	11.8
employee-side	3.6	6.3
employer-side	3.9	5.3
Absence rate in %[1]	4.9	6.5
Average age in years[1]	43.4	44.9

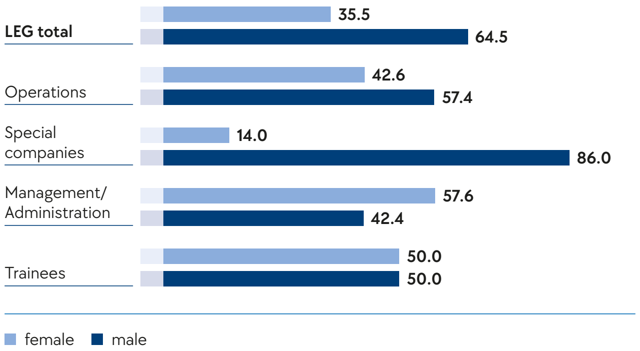
[1] without TechnikServicePlus, Biomass Heating Plant, LWS Plus

G6

Employee distribution by area of function (in %)

G7

Employee distribution by gender (in %)



Continuing professional development

In the 2020 financial year, 750 LEG employees (2019: 553) took part in at least one continuing professional development event. With 1,353 seminar days and 1,133 employees (not including TechnikServicePlus, Biomass Heating Plant or LWS Plus), each employee attended an average of 1.2 seminar days. Training costs at LEG amounted to EUR 625,978, or EUR 552 per employee.

Health management

Health management faced the particular challenge in 2020 of providing LEG employees with activities in line with coronavirus regulations. To this end, there was a particular focus on digital activities. At the very beginning of the first lockdown, for example, employees were given access to fitness and relaxation videos for those working from home. Towards the end of the year, a series of digital workshops were launched on the topic of stress management, resilience and relaxation when working from home, as well as special initiatives for managers with a focus on "healthy management" and "management at a distance".

As well as digital content, LEG health management also again provided employees with a little gift for the colder days in the form of a heatable grain pillow and a reusable face mask. As a preventative measure, health management also offered all employees at-home colon cancer screening in 2020 and over 300 people took up the offer. Flu vaccinations were also offered at three locations in cooperation with BAD. Established offers from pme Familienservice also remained part of health management, such as the fruit campaign where all employees receive weekly deliveries of fresh fruit to the office.

Coronavirus measures

The Management Board of LEG set up a COVID-19 crisis team as part of Business Continuity Management. From today's perspective, the company has taken all the necessary precautionary measures to ensure the highest possible protection of the workforce. A total of EUR 151,800 was invested in preventive measures and protective equipment. As a thank you for their commitment under the difficult conditions presented by the pandemic, all employees received a tax-free COVID-19 bonus of EUR 1,111 in November 2020, which was increased to EUR 1,500 in 2021.

Training

Under the motto "Get a LEG up – your path to becoming a real estate professional", LEG www.leg-wohnen.de/ausbildung/ attaches great importance to training. As part of their multifaceted training, LEG trainees are given the opportunity to work through many different areas and get to grips with all aspects of the property industry. Furthermore, they can opt to specialise in individual areas and so actively shape their training. The range of informative workshops on optional areas and seminars on offer each year, such as the "fit for customers" communication training, also ensure that trainees reach their goals. Trainees continue to have excellent chances of being taken on by the company permanently – in 2020, LEG signed contracts with all trainees who had expressed a wish to do so. This increases the number of trainees to be hired in 2021 by four, taking the total to 16.

Since 2007, LEG has received 13 certificates from IHK Dusseldorf for outstanding achievements in vocational training. In 2019 and 2020, LEG also received a certificate as one of Germany's best training workplaces from the magazine Capital for its outstanding training quality, in addition to the distinctions already awarded by Focus and Focus Money.

As a further component of the training, LEG has introduced the dual practice-integrated study programme. In 2019, two specialisations were initially implemented, which focus on the areas of finance and technology. In the reporting year, LEG expanded the range of dual study programmes to include business informatics and facility management. The degree programmes, in which four employees are currently enrolled, are offered in cooperation with the IUBH in Dusseldorf and the HRW in Mülheim. Further cooperation with the FHDW in Mettmann and the Westfälische Hochschule in Gelsenkirchen is planned for the winter term 2021/22.

The non-financial report contains additional information on employees. > see page 103 of the annual report

Current business activities

Despite the coronavirus pandemic that shaped 2020, the positive business development of the LEG Group continued in the reporting year, with a further increase in the company's profitability. In the 2020 financial year, LEG continued to grow both organically and through acquisitions.

The acquisitions that were integrated in the course of the 2019 financial year were fully included in earnings figures for the first time in 2020. These were countered by portfolio disposals in the reporting year and previous year. Overall, FFO I – the most important financial performance indicator for Group management – rose by 12.3 % from EUR 341.3 million to EUR 383.2 million in the 2020 financial year.

In addition to the acquisitions, the development of existing rents, cost discipline in administrative costs and an ongoing reduction in average financing costs from 1.43 % to 1.33 % also contributed to this increase. The affiliated companies providing tenant services also increased their contribution to FFO growth.

T11

Development of the real estate portfolio

Key figure	Usage	31.12.2020	31.12.2019	Change	in %
Number residential units	Residential	144,530	134,031	10,499	7.8
	Commercial	1,346	1,272	74	5.8
	Total residential and commercial	**145,876**	**135,303**	**10,573**	**7.8**
	Parking	39,205	34,283	4,922	14.4
	Total	**185,081**	**169,586**	**15,495**	**9.1**
Lettable area in sqm	Residential	9,205,221	8,533,379	671,842	7.9
	Commercial	226,357	209,630	16,727	8.0
	Total residential and commercial	**9,431,578**	**8,743,009**	**688,569**	**7.9**
In-place rent in €/sqm	Residential	5.94	5.82	0.12	2.1
	Residential (l-f-l)	5.96	5.83	0.13	2.3
	Commercial	7.21	7.32	−0.11	−1.4
	Total residential and commercial	**5.97**	**5.85**	**0.12**	**2.0**
Number of vacancies	Residential	4,218	4,319	−101	−2.3
	Commercial	255	250	5	2.0
	Total residential and commercial	**4,473**	**4,569**	**−96**	**−2.1**
EPRA vacancy in %	Residential	2.8	3.1	−30 bp	
	Residential (l-f-l)	2.6	2.9	−30 bp	
	Commercial	14.6	14.9	−30 bp	
	Total residential and commercial	**3.1**	**3.6**	**−50 bp**	

As at 31 December 2020, LEG Immobilien AG's property portfolio consisted of 144,530 residential units, 1,346 commercial units and 39,205 garages and parking spaces. > table T11 shows the key portfolio data together with changes as compared to the previous year.

The housing portfolio as at 31 December 2020 increased by 10,499 residential units (net) against the previous year in connection with acquisitions (11,262 residential units including 38 new units) and a low number of unit disposals due to sale or apartments being combined (763 residential units). This represents a 7.8 % increase as at the reporting date. Selected purchases were made beyond the core North Rhine-Westphalia market into the states of Schleswig-Holstein, Lower Saxony, Bremen, Hesse, Rhineland-Palatinate and Baden-Württemberg.

Located in LEG's core markets and neighbouring states, the portfolios offer the prospect of strong cost synergies (economies of scale) and additional potential for increasing value by reducing vacancies, adjusting rents in line with typical market levels and opportunities for mostly energy-efficient modernisation work that boosts value. They have already contributed to the higher operating earnings in the 2020 financial year, as a standardised integration process allowed them to be quickly integrated into the Group's systems and processes.

An additional 38 residential units were added to the portfolio following new construction in Hilden. Additional new building projects with a total volume of 1,200 residential units on LEG's own land are planned for the years ahead.

The sales were mostly individual properties that did not fit in LEG's portfolio structure and also included a small number of tenant privatisation sales. The portfolio was also slightly reduced partly as a result of apartments being combined or converted into commercial units, for example in the context of modernisation measures.

As a residential housing company, LEG's operations were affected only slightly by the coronavirus pandemic. On 21 March 2020, LEG announced that it will temporarily not increase rents to the local reference rents as provided for in section 558 of the German Civil Code (BGB) in order to send a signal of solidarity and social responsibility during the pandemic and to lessen the burden on its customers. The two-year deferral of payments permitted by law, as well as some postponements of modernisation measures planned in H1 2020, also went ahead.

The key value drivers and performance indicators in operating business developed as follows:

Taking into account the measures described above, the average rent for the housing portfolio was EUR 5.96 per square metre as at 31 December 2020 on a like-for-like basis. Rents were up just under 2.3 % as against the previous year. Growth in the free-financed portfolio was slightly over 2.3 %. The average for rent-restricted apartments, which accounted for around 24.8 % of the total portfolio as at the end of the year, rose by just short of 2.0 % on a like-for-like basis to EUR 4.90 per square metre in the reporting year, in part due to the cost rent adjustment.

The EPRA vacancy rate for all residential units of the LEG Group including the properties acquired was 2.8 % as at the end of the 2020 financial year. On a like-for-like basis, the vacancy rate was 2.6 % and therefore below the previous year's level of 2.9 %. At the same time, the structural vacancy rate was also achieved, which LEG estimates at around 2.8 %.

Various measures were implemented in the reporting year to continuously improve letting performance and to avoid fluctuation. These particularly included the task of streamlining and optimising operational processes, including the continuation of the #funktionalfairmieten project that was launched last year. Ongoing central components remain the definition of interfaces and continuing to leverage efficiency potential.

To further improve the quality of the housing portfolio and thereby meet growing customer requirement, LEG again adopted a sustainable, long-term approach to investments in its portfolio last year. Building on the opportunities presented by the temporary VAT reduction and current craftsmen capacities, efforts were made to boost investment for the reporting year. Total expenditure (excluding new construction) amounted to EUR 370.3 million in the 2020 financial year, representing a year-on-year increase of EUR 80.4 million or 27.7 %. The share of value-adding investments thus eligible for capitalisation was around 74.2 % (previous year: 70.0 %). Average investment per square metre of rental and usable space was increased by more than EUR 7 year-on-year to around EUR 41 in 2020. LEG will also not slow the pace of its investing activities in the years ahead, and in particular it will carry out measures to optimise energy efficiency and improve its properties, establishing investment of more than EUR 40 per square metre in the next few years.

LEG's service companies established in previous years, which include multimedia business, craftsmen services and the provision of energy and heating, were further consolidated and enhanced in the reporting year. Fischbach Service GmbH was taken over in the fourth quarter of 2020 with the aim of increasing the company's own value chain as part of refurbishing vacant apartments. The underlying strategy of being able to offer residential and tenant services from a single source is having an increasingly positive impact on business performance. The contribution to FFO from service activities was also further increased in 2020, coming to around EUR 31 million, a 34.8 % year-on-year rise. Based on its positive experience to date, LEG is still working to develop new value-adding concepts.

Even after accounting for the impact of the pandemic, LEG has therefore enjoyed another successful financial year and a positive development in its operating activities. Key performance indicators – such as FFO I and the adjusted EBITDA margin – have improved again, and negative earnings factors, which resulted in part from cost inflation for workman services, were more than offset. Internal organisational and process optimisation, additional earnings effects from acquisitions and a positive market development all contributed to the operating growth. LEG will counter the challenges the future brings by further increasing its innovation and investment propensity on the basis of a proven management platform. Against this backdrop, LEG expects to continue its profitable growth in the years ahead as well.

Financing

Further optimisation of the financing portfolio

In the financial year 2020, LEG carried out a combined share and convertible bond transaction with a total volume of EUR 822.6 million to finance newly acquired residential portfolios. The convertible bond included in the transaction was issued at a volume of EUR 550 million. It has a coupon of 0.4 % p. a., an eight-year term (until 2028) and a premium of 35 %. The conversion price will not be adjusted until the dividend exceeds EUR 3.60 per share. At the same time, 2.37 million new shares were placed with institutional investors at a price of EUR 115 in a very short period of time by way of accelerated bookbuilding. The capital increase generated gross issue proceeds of EUR 272.6 million for LEG. The transactions lowered average financing costs, increased the average term of debt instruments and strengthened the company's equity.

In addition, long-term financing agreements for a total of around EUR 400 million were rearranged at attractive conditions in the 2020 financial year. Around EUR 335 million of this related to secured bank loans and EUR 65 million to unsecured financing instruments.

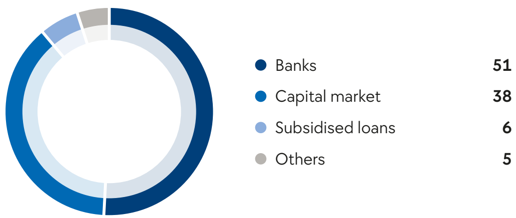
Through these financing measures, LEG again reduced its average interest rate as at the balance sheet date from 1.43 % in the previous year to 1.33 %. The average term of its liabilities fell slightly from 8.1 years to 7.4 years.

Balanced financing structure

As at the end of the reporting period, approximately 51 % of the LEG Group's total financing liabilities relate to bank loans, 38 % to capital market financing (bonds and convertible bonds), and 11 % to subsidised loans and other liabilities. The loan liabilities to banks are essentially distributed among 14 banks, mainly in the mortgage and state bank (Landesbank) sector. In addition to market conditions, diversification in the loan portfolio is another key factor in selecting financing partners, and so new business addresses were added in the current year. In line with LEG's financing strategy, the maximum share of a single bank in the total loan portfolio is capped at 20 % to avoid an excessive dependence on any one financing partner. LEG Group's largest creditor currently has a share of approximately 18.6 % of the bank loan portfolio.

G8

Financing sources (in %)



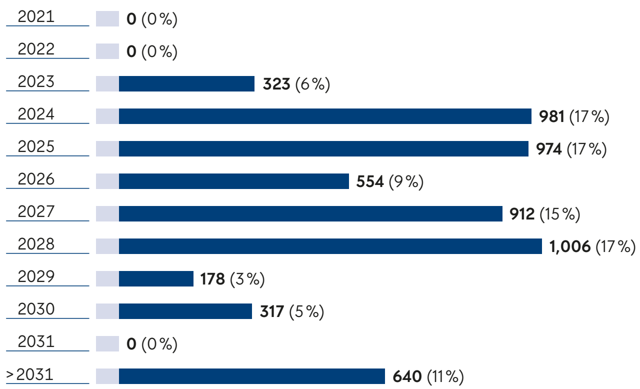
Balanced, long-term maturity profile

In line with its long-term business model and in order to ensure a defensive risk profile, LEG has a balanced, long-term financing structure. Financing is arranged with bank partners on the basis of medium- and long-term agreements with terms of up to twelve years. The funds raised on the capital market have terms of up to 15 years, while the financing agreed with other lenders has terms of up to 25 years. Taking into account the long-term subsidised loans (average maturity 23.7 years), the financing portfolio as a whole has an average maturity of approximately 7.4 years. The goal in managing contract terms is that no more than 25 % of total liabilities fall due within one year. At the end of 2020, LEG had no liabilities that were due within a year.

Bank loans are primarily secured by the real collateral of the properties and other collateral usually provided for property portfolio financing. The capital market instruments and financing with other lenders constitute unsecured financing.

G9

Maturity profile
(credit volume in € million, share of total debt in %)

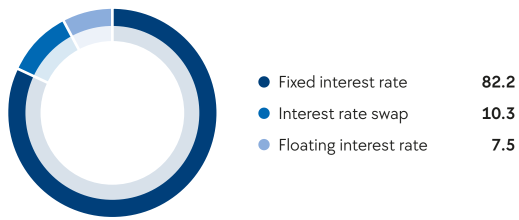


Interest rate hedging

The financing agreements, befitting the long-term strategic outlook of the company, are around 93 % hedged by fixed-rate agreements or interest rate swaps. Derivative interest hedging instruments are linked to the respective hedged loan (micro hedge). In line with the internal policies of LEG, interest rate derivatives can be used only to hedge interest rate risks. Thus, the company does not maintain open or speculative items. Given the long-term interest rate hedges in place, no significant interest rate risks are anticipated in the medium term.

G10

Interest hedging instruments (in %)



Covenants

LEG's financing agreements usually contain regulations on compliance with defined financial covenants that the respective borrower must comply with throughout the term of the financing agreements.

The loan covenants agreed relate to key figures within the portfolio financed by the respective bank or at the level of the respective borrower. The key financial covenants are within the following ranges:

T12

Covenants 1

Loan-to-Value (LTV)	55 % – 80 %
Debt-Service-Coverage-Ratio (DSCR)/ Interest-Service-Coverage-Ratio (ISCR)	110 % – 505 %
Debt-to-Rent-Ratio (DRR)	665 % – 1.330 %

Furthermore, individual loan agreements contain stipulations regarding compliance with occupancy and vacancy rates.

With regard to unsecured financing instruments, the following key covenants apply at the level of LEG Immobilien AG:

T13

Covenants 2

Consolidated Net Financial Indebtedness to Total Assets	max. 60 %
Secured Financial Indebtedness to Total Assets	max. 45 %
Unencumbered Assets to Unsecured Financial Indebtedness	min. 125 %
Consolidated Adjusted EBITDA to Net Cash Interest	min. 180 %

As part of its risk management for the company as a whole, LEG has implemented a process for the continuous monitoring of compliance with covenants. LEG has fully complied with the covenants of its loan agreements. Breaches are also not anticipated moving ahead.

High credit quality confirmed by corporate ratings

LEG has had a “Baa1” long-term issuer rating since 2015, which has since then been continuously confirmed by Moody’s. The rating particularly reflects the strong market position, leading portfolio management and long-term financing strategy of LEG Immobilien AG. The strong corporate rating forms the basis for LEG’s broadly diversified financing portfolio.

Since 2017, LEG has also had a “P-2” short-term issuer rating, which attests to the company having a high level of creditworthiness for issuing current debt securities on the basis of its liquidity, the credit facilities available and its balanced maturity profile.

Dividend

The Management Board and the Supervisory Board intend to propose a dividend of EUR 3.78 per share at the Annual General Meeting for the 2020 financial year on 27 May 2021. The proposal translates into a total distribution of EUR 272.5 million, increasing the dividend per share by 5.0 % compared to the previous year.

LEG intends to distribute at least 70 % of its FFO I to shareholders as a dividend on a sustainable basis. However, given the higher number of shares, the pay-out ratio for the financial year 2020 dividend will increase to 71.1 % of FFO I on a one-time basis.

The dividend yield amounts to 3.0 % based on the year-end closing price for 2020.

Depending on company-specific developments and the situation on the capital market, LEG intends to propose a dividend in cash or in shares at the Annual General Meeting for the 2020 financial year.

Analysis of net assets, financial position and results of operations

Please see the > glossary in the annual report for a definition of individual key figures and terms.

Results of operations

Aggregate income statement
The condensed income statement is as follows:

In spite of a rise in net cold rent, net rental and lease income declined slightly by 1.2 % to EUR 429.8 million. This was essentially due to higher staff costs and an increase in depreciation and amortisation expenses caused by goodwill impairment.

Adjusted EBITDA increased by EUR 40.4 million to EUR 466.9 million. The adjusted EBITDA margin therefore rose to 74.4 % in the reporting period (comparative period: 72.8 %).

In the context of portfolio remeasurement to the end of the year, valuation gains of EUR 1,170.4 million were determined (previous year: EUR 923.4 million).

Improved net finance earnings primarily reflect the EUR 50.9 million decrease in interest expenses and a EUR 52.3 million improvement in net income from the fair value measurement of derivatives.

T14

Condensed income statement

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Net rental and lease income	64.1	94.8	429.8	435.0
Net income from the disposal of investment properties	–0.4	–0.5	–1.3	–1.3
Net income from the remeasurement of investment properties	577.0	371.8	1,170.4	923.4
Net income from the disposal of real estate inventory	0.9	1.1	–1.5	–0.8
Net income from other services	–0.2	1.8	4.2	3.3
Administrative and other expenses	–33.8	–28.2	–66.4	–66.1
Other income	0.0	0.2	0.1	0.5
Operating earnings	**607.6**	**441.0**	**1,535.3**	**1,294.0**
Interest income	1.8	0.3	1.9	0.5
Interest expenses	–31.1	–60.3	–102.2	–153.1
Net income from investment securities and other equity investments	1.7	2.8	3.5	5.8
Net income from associates	0.3	0.2	0.3	0.2
Net income from the fair value measurement of derivatives	–0.1	–3.5	–43.8	–96.1
Net finance earnings	**–27.4**	**–60.5**	**–140.3**	**–242.7**
Earnings before income taxes	**580.2**	**380.5**	**1,395.0**	**1,051.3**
Income taxes	128.1	–48.3	–30.5	–230.2
Net profit or loss for the period	**708.3**	**332.2**	**1,364.5**	**821.1**

Net rental and lease income

Net rental and lease income for 2020 is composed as follows:

T15

Net rental and lease income

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Net cold rent	162.8	146.3	627.3	586.1
Profit from operating expenses	–1.3	–1.9	–2.5	–2.8
Maintenance for externally procured services	–24.9	–24.1	–62.3	–61.0
Employee benefits	–21.7	–19.4	–75.4	–68.2
Allowances on rent receivables	–5.0	–2.1	–10.6	–7.9
Depreciation and amortisation expenses	–48.7	–3.0	–56.2	–10.0
Others	3.0	–1.0	9.5	–1.2
Net rental and lease income	**64.2**	**94.8**	**429.8**	**435.0**
Net operating income-margin (in %)	**39.4**	**64.8**	**68.5**	**74.2**
Non-recurring project costs – rental and lease	3.8	5.4	7.0	8.3
Depreciation	48.7	3.0	56.2	10.0
Recurring net rental and lease income	**116.7**	**103.2**	**493.0**	**453.3**
Recurring net operating income-margin (in %)	**71.7**	**70.5**	**78.6**	**77.3**

The LEG Group increased its net cold rent by EUR 41.2 million (+7.0 %) against the comparative period. In-place rent per square metre on a like-for-like basis rose by 2.3 % in the reporting period. The increase in others is mainly due to the expansion of value-added services. This was countered by the increase in staff costs by EUR 7.2 million, which was mainly due to an increase in the number of hired employees and to tariff increase. Higher depreciation and amortisation expenses relate to the EUR 45.6 million goodwill impairment.

Recurring net rental and lease income rose by 8.8 %, more strongly than the net cold rent. As a result, the adjusted net operating income (NOI) margin further increased to 78.6 % in the 2020 financial year (previous year: 77.3 %).

The EPRA vacancy rate, which is a ratio of rent lost due to vacancy to potential rent in the event of full occupancy on the basis of market rental on the current reporting date, was reduced year on year both on a like-for-like basis and overall.

T16

EPRA vacancy rate

€ million	2020	2019
Rental value of vacant space – like-for-like	16.9	18.3
Rental value of vacant space – total	20.1	19.4
Rental value of the whole portfolio – like-for-like	661.2	623.3
Rental value of the whole portfolio – total	719.4	627.5
EPRA vacancy rate – like-for-like (in %)	**2.6**	**2.9**
EPRA vacancy rate – total (in %)	**2.8**	**3.1**

The EPRA capex splits the capitalised expenditure of the financial year in comparison to the previous year in three components. On a like-for-like portfolio basis, the value-adding modernisation work as a result of the strategic investment program surged by EUR 76.0 million to EUR 277.6 million in the reporting year. Investments in the Development area are attributable chiefly to projects in Hilden, Essen and Cologne.

T17

EPRA capex

€ million	2020	2019
Acquisitions	8.0	–
Development	4.8	5.1
Like-for-like Portfolio	277.6	201.6
Capex	**290.4**	**206.7**

The European Public Real Estate Association (EPRA) issued more specific requirements for presenting capital expenditure and recommended a reconciliation to the statement of cash flows.

Acquisitions include the acquisition costs of portfolio purchases that do not represent a company acquisition within the meaning of IFRS 3. In the Development segment, investments in new construction projects continue to be reported. The value-enhancing modernisations in investment properties are no longer reported on a comparable portfolio basis. Instead, a breakdown is made into investments that result in an increase in rental space and investments without an increase in rental space. By taking into account the additions to and utilisation of provisions, the investments of the reporting year are reconciled with the payments for investments in investment property.

T18

EPRA capex

€ million	2020	2019
Acquisitions	1,139.6	129.6
Development	4.8	5.1
Investments in investment properties	280.0	196.4
Incremental lettable space	3.1	1.1
No incremental lettable space	276.9	195.3
Capex	1,424.4	331.1
Additions to/utilisation of provisions for capex	−3.3	0.4
Addtions to/utilisation of provisions for incidental purchase price costs	−46.0	39.9
Payments for investments in investment properties	**1,375.1**	371.4

In addition to the value-adding modernisation, the increase in maintenance expenses by EUR 9.7 million to EUR 98.3 million resulted in total investments of EUR 388.7 million in the reporting period (previous year: EUR 295.3 million). Investments for new construction activities, public safety measures in connection with acquisitions and own work capitalised resulting from the acquisition of LWS Plus GmbH were eliminated from total investment when calculating total investment per square meter. Adjusted total investment was EUR 370.3 million and average total investment per square metre in the reporting year was EUR 41.00 per square metre (previous year: EUR 33.28 per square metre). In the previous year, only investments for new construction activities were deducted. The capitalisation rate increased to 74.2 % in the reporting year (previous year: 70.0 %).

T19

Maintenance and modernisation

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Maintenance expenses	38.2	30.2	98.3	88.6
thereof investment properties	37.5	29.5	95.3	86.8
Capital expenditure	87.7	70.3	290.4	206.7
thereof investment properties	84.1	69.1	284.8	201.5
Total investment	**125.9**	**100.5**	**388.7**	**295.3**
thereof investment properties	121.6	98.6	380.1	288.3
Area of investment properties in million sqm	9.29	8.59	9.03	8.72
Adjusted average investment per sqm (€)	**11.74**	**11.47**	**41.00**	**33.28**

The EPRA Cost Ratio, as an indicator for the operating performance, is the percentage of operating and administrative expenses in gross rental income. By definition, one-off and non-recurring effects are not adjusted. There are adjustments for leasehold land interests and directly attributable vacancy costs. For reasons of transparency and comparability, a further adjustment is made for maintenance expenses in the financial year as the maintenance expenses of a property company depend to a high degree on the accounting standard used and on the specific maintenance strategy.

T20

EPRA cost ratio

€ million	2020	2019
Adjusted EBITDA	–466.9	–426.5
Rental income	627.3	586.1
Maintenance expenses	–62.3	–61.0
Management costs	98.1	98.6
Maintenance expenses	62.3	61.0
Leasehold land interests	–4.9	–4.7
EPRA costs (including direct vacancy costs)	155.5	154.9
Direct vacancy costs	–11.8	–12.2
EPRA costs (excluding direct vacancy costs)	143.7	142.7
Rental income	627.3	586.1
Leasehold land interests	–4.9	–4.7
Gross rental income	622.4	581.4
EPRA cost ratio (including direct vacancy costs)	**25.0%**	**26.6%**
EPRA cost ratio (excluding direct vacancy costs)	**23.1%**	**24.5%**
Adjustment for maintenance	62.3	61.0
Adjusted EPRA costs (including direct vacancy costs)	93.2	93.9
Adjusted EPRA costs (excluding direct vacancy costs)	81.4	81.7
Adjusted EPRA cost ratio (including direct vacancy costs)	**15.0%**	**16.2%**
Adjusted EPRA cost ratio (excluding direct vacancy costs)	**13.1%**	**14.1%**

Net income from the disposal of investment properties

In 2020, net income from the disposal of investment properties is composed as follows:

T21

Net income from the disposal of investment properties

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Income from the disposal of investment properties	18.1	168.6	48.2	195.3
Carrying amount of the disposal of investment properties	–18.1	–168.8	–48.4	–195.5
Costs of sales of investment properties sold	–0.4	–0.3	–1.1	–1.1
Net income from the disposal of investment properties	**–0.4**	**–0.5**	**–1.3**	**–1.3**
Valuation gains induced by disposals (included in net income from the remeasurement of investment properties)	–	–	0.9	0.2
Adjusted net income from disposals	**–0.4**	**–0.5**	**–0.4**	**–1.1**

Disposals of investment properties decreased in the reporting period.

Income from disposals came to EUR 48.2 million. This decline in sales proceeds is attributable chiefly to a block sale notarised in the 2019 financial year.

Changes in value of investment properties

Net income from the remeasurement of investment property amounted to EUR 1,170.4 million in 2020 (previous year: EUR 923.4 million). Based on the property portfolio as at the beginning of the financial year (including the remeasured acquisitions), this corresponds to an increase of 9.4% (previous year: 8.6%).

The average value of residential investment property (including IFRS 5 properties) was EUR 1,503 per square metre as at 31 December 2020 (previous year: EUR 1,353 per square metre) including acquisitions and EUR 1,504 per square metre not including acquisitions. Including investments in modernisation and maintenance work, the average portfolio value thus rose by 11.2% in the financial year (previous year: 12.4%).

The increase in the value of the portfolio is largely a result of the positive development of in-place rents and the reduction in the discount and capitalisation rate.

The EPRA Net Initial Yield is calculated on the basis of the annualised net cash rental income of the financial year divided by the gross market value of the residential property portfolio. The topped-up net initial yield results from an adjustment of the annualised net cash rental income for the costs of rental incentives granted.

T22

EPRA net initial yield

€ million	31.12.2020	31.12.2019
Residential investment properties	14,350.7	11,805.2[1]
Assets held for sale	21.6	25.2
Market value of the residential property portfolio (net)	14,372.3	11,830.4[1]
Estimated incidental costs of acquisition	1,401.7	1,159.3[1]
Market value of the residential property portfolio (gross)	15,774.0	12,989.7[1]
Annualised net cash rental income of the financial year (net cold rent)	633.1	576.3
Cash income from operating and heating costs	286.2	265.0
Cash expenses from operating and heating costs	–285.5	–266.8
Annualised gross cash rental income of the financial year (net cold rent)	633.8	574.5
Maintenance expenses	–63.5	–60.7
Vacancy and non-allocable operating costs	–5.2	–4.2
Legal and consulting costs	–3.2	–4.2
Property manager fee owners' association	–0.4	–0.4
Annualised property expenses	–72.3	–69.5
Annualised net cash rental income of the financial year	561.5	505.0
Adjustments for rental incentives	4.5	4.3
Topped-up annualised net cash rental income of the financial year	566.0	509.3
EPRA Net Initial Yield in %	**3.6**	**3.9[1]**
EPRA topped-up Net Initial Yield in %	**3.6**	3.9[1]

[1] Previous year's figure adjusted

Net income from the disposal of real estate inventory

In 2020, net income from the disposal of real estate inventory is composed as follows:

T23

Net income from the disposal of real estate inventory

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Income from the disposal of inventory properties	–	2.9	–	2.9
Carrying amount of the real estate inventory disposed	–	–1.4	–	–1.4
Cost of sales of the real estate inventory disposed	0.9	–0.3	–1.5	–2.3
Net income from the disposal of real estate inventory	**0.9**	**1.2**	**–1.5**	**–0.8**

No ownership was transferred in the last financial year. The remaining real estate inventory held as at 31 December 2020 amounted to EUR 1.3 million, EUR 0.4 million of which related to properties under development.

Net income from other services

T24

Other services

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Income from other services	2.8	3.7	12.2	9.5
Expenses in connection with other services	–3.0	–1.9	–8.0	–6.2
Net income from other services	**–0.2**	**1.8**	**4.2**	**3.3**

Other services include electricity and heat fed to the grid, IT services for third parties and management services for third-party properties.

Operating earnings from the electricity and heat generated again improved on the previous year, which saw a lengthy audit that resulted in downtime for the biomass heating plant.

Administrative and other expenses

Administrative and other expenses are composed as follows:

T25

Administrative and other expenses

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Other operating expenses	–3.7	–21.4	–16.0	–31.5
Employee benefits	–7.6	–5.8	–23.6	–30.1
Purchased services	–0.4	–0.2	–1.6	–1.1
Depreciation and amortisation	–22.1	–0.8	–25.2	–3.4
Administrative and other expenses	**–33.8**	**–28.2**	**–66.4**	**–66.1**
Depreciation and amortisation	22.1	0.8	25.2	3.4
Non-recurring project costs and extraordinary and prior-period expenses	1.1	17.5	8.0	29.5
Recurring administrative and other expenses	**–10.6**	**–9.9**	**–33.2**	**–33.2**

The EUR 21.5 million decrease in project costs stemmed mainly from extraordinary staff costs in the previous year and donations of EUR 16.0 million to the “Your Home Helps” foundation in 2019, which were recognised in other operating expenses. Higher depreciation and amortisation expenses relate to the EUR 21.0 million goodwill correction in the reporting year.

Recurring administrative expenses are unchanged at EUR 33.2 million.

Net finance earnings

T26

Net finance earnings

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Interest income	1.8	0.3	1.9	0.5
Interest expenses	–31.1	–60.3	–102.2	–153.1
Net interest income	**–29.3**	**–60.0**	**–100.3**	**–152.6**
Net income from other financial assets and other investments	1.7	2.8	3.5	5.8
Net income from associates	0.3	0.2	0.3	0.2
Net income from the fair value measurement of derivatives	–0.1	–3.5	–43.8	–96.1
Net finance earnings	**–27.4**	**–60.5**	**–140.3**	**–242.7**

Interest expenses decreased by EUR 50.9 million year-on-year to EUR –102.2 million. This includes the interest expense from loan amortisation, which decreased by EUR 19.3 million year on year to EUR –15.6 million. The interest expense from loan amortisation includes the measurement of the convertible and corporate bonds at amortised cost of EUR –7.2 million (previous year: EUR –21.3 million).

The main driver for the decrease are the refinancings carried out in the financial year 2019, which resulted in prepayment penalties of EUR –25.1 million in the financial year 2019. The early conversion of the convertible bond issued in 2014 also led to higher interest expenses from loan amortisation. The issue of the two corporate bonds in the fourth quarter 2019 as well as the issued convertible bond in June 2020 had an opposite effect.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond of EUR –43.6 million (previous year: EUR –94.8 million). This decline was a result chiefly of the bond converted in 2019, which had accounted for a considerable share of derivatives' measurement gains or losses in previous years. This was offset by the measurement effects of existing convertible bonds and the new convertible bond assumed in 2020.

Year-on-year a further reduction in the average interest rate to 1.33 % was achieved as at 31 December 2020 (previous year: 1.43 %) based on an average term of around 7.4 years (previous year: 8.1 years).

Income taxes

T27

Income tax expenses

€ million	Q4 2020	Q4 2019	**01.01. – 31.12.2020**	01.01. – 31.12.2019
Current tax expenses	0.0	–2.1	–2.9	–15.0
Deferred tax expenses	128.1	–46.2	–27.6	–215.2
Income tax expenses	**128.1**	**–48.3**	**–30.5**	**–230.2**

As at 31 December 2020, the current effective Group tax rate was 2.2 % (previous year: 21.9 %). The decline in income taxes from EUR 230.2 million in the previous year to EUR 30.5 million is due essentially to a reduction of the tax rate (application of the extended trade tax reduction) at a large group company with a property portfolio.

For the 2020 financial year, expenses for current income taxes were EUR 2.9 million. There was a current tax charge of EUR 15.0 million in the previous year, essentially due to taxes on capital gains from property sales. As in the previous year, offsetting losses carried forward continued to result in lower taxation.

Reconciliation to FFO

FFO is a key performance indicator at LEG Immo. The LEG Group distinguishes between FFO I (not including net income from the disposal of investment properties), FFO II (including net income from the disposal of investment properties) and AFFO (FFO I adjusted for capex). Details of the calculation system for the respective indicator can be found in the > glossary.

At EUR 383.2 million in the year under review, FFO I (not including net income from the disposal of investment property) was 12.3 % higher than in the previous year (EUR 341.3 million). The rise resulted from the positive impact of higher rents in connection with an expansion of the EBITDA margin from 72.8 % in the previous year to 74.4 %.

The reduced average interest rate due to refinancing measures also impacts positively on the interest coverage ratio (ratio of adjusted EBITDA to cash interest expenses and income) which increased from 542 % in the previous year to 580 % in the reporting period.

FFO I, FFO II and AFFO were calculated as follows:

T28

Calculation of FFO I, FFO II and AFFO

€ million	Q4 2020	Q4 2019	01.01. – 31.12.2020	01.01. – 31.12.2019
Net cold rent	162.8	146.3	627.3	586.1
Profit from operating expenses	–1.3	–1.9	–2.5	–2.8
Maintenance for externally procured services	–24.9	–24.1	–62.3	–61.0
Employee benefits	–21.7	–19.4	–75.4	–68.2
Allowances on rent receivables	–5.0	–2.1	–10.6	–7.9
Other	3.0	–1.0	9.5	–1.3
Non-recurring project costs (rental and lease)	3.8	5.4	7.0	8.3
Recurring net rental and lease income	**116.7**	**103.2**	**493.0**	**453.2**
Recurring net income from other services	**0.5**	**2.5**	**7.1**	**6.0**
Employee benefits	–7.6	–5.7	–23.6	–30.1
Non-staff operating costs	–4.0	–21.6	–17.6	–32.6
Non-recurring project costs (admin.)	1.1	17.5	8.0	29.5
Recurring administrative expenses	**–10.5**	**–9.8**	**–33.2**	**–33.2**
Other income	0.0	0.1	0.0	0.5
Adjusted EBITDA	**106.7**	**96.0**	**466.9**	**426.5**
Cash interest expenses and income	–20.8	–20.3	–80.5	–78.7
Cash income taxes	0.6	7.2	–1.4	–2.8
FFO I (before adjustment of non-controlling interests)	**86.5**	**82.9**	**385.0**	**345.0**
Adjustment of non-controlling interests	0.0	–0.7	–1.8	–3.7
FFO I (after adjustment of non-controlling interests)	**86.5**	**82.2**	**383.2**	**341.3**
Adjused net income from disposals	–0.1	0	–0.4	–1.1
Cash income taxes from disposal of investment properties	–0.6	–9.4	–1.5	–12.3
FFO II (incl. disposal of investment properties)	**85.8**	**72.8**	**381.3**	**327.9**
CAPEX	–87.7	–70.3	–290.4	–206.7
Capex-adjusted FFO I (AFFO)	**–1.2**	**11.9**	**92.8**	**134.6**

Net assets

Condensed statement of financial position

The condensed statement of financial position is as follows:

T29

Condensed statement of financial position

€ million	31.12.2020	31.12.2019
Investment properties	14,582.7	12,031.1
Prepayments for investment properties	43.3	53.5
Other non-current assets	221.6	269.2
Non-current assets	14,847.6	12,353.8
Receivables and other assets	77.7	89.6
Cash and cash equivalents	335.4	451.2
Current assets	413.1	540.8
Assets held for sale	21.6	25.2
Total assets	**15,282.3**	**12,919.8**
Equity	7,389.9	5,933.9
Non-current financing liabilities	5,377.7	4,856.8
Other non-current liabilities	1,650.5	1,654.2
Non-current liabilities	7,028.2	6,511.0
Current financing liabilities	491.3	197.1
Other current liabilities	372.9	277.8
Current liabilities	864.2	474.9
Total equity and liabilities	**15,282.3**	**12,919.8**

Investment properties increased largely as a result of acquisitions (EUR 1,125.7 million), remeasurement income (EUR 1,170.4 million) and value-enhancing modernisation measures (EUR 284.8 million), rising by EUR 2,551.6 million against the previous year. As at the reporting date, the share of total assets was 95.4 %.

Other non-current assets essentially reflect the change in goodwill. This saw an addition of EUR 27.3 million following the acquisition of Fischbach Service, offset by depreciation and amortisation expenses of EUR 66.6 million concerning the CGU Wohnen like-for-like.

The development of equity since 31 December 2019 was primarily due to the capital increase of EUR 354.0 million, the net profit for the period of EUR 1,360.2 million and the dividend payment of EUR 257.0 million (thereof EUR 84.6 million tendered by issuing new shares).

Financial liabilities increased by EUR 523.8 million as a result of the convertible bonds issued and by EUR 50.6 million as a result of issuing a registered bond. In addition, new loans of EUR 403.4 million were utilised and repayments of EUR 190.2 million were made.

Driven primarily by net income from the measurement of investment property, deferred tax liabilities (shown under other non-current liabilities) rose by EUR 24.7 million to EUR 1,356.0 million.

The EUR 95.1 million increase in other current liabilities can be attributed mainly to the measurement of derivatives for the convertible bond issued in 2017.

Net asset value (NAV)

The European Public Real Estate Association changed its definition of net asset value. From the 2020 financial year onwards, it will be presented using three key figures: EPRA Net Reinstatement Value (EPRA NRV), EPRA Net Tangible Assets (EPRA NTA) and EPRA Net Disposal Value (EPRA NDV). Definitions and details of the calculation system for these key figures can be found in the > glossary.

LEG Immo has defined EPRA NTA as a central key figure for the future. There is a difference between this and the previous definition of net asset value due to the adjustment of intangible assets and goodwill resulting from synergies. In addition, deferred taxes on investment property are adjusted by the amount attributable to the LEG Group's planned property sales. The option to measure intangible assets at fair value is not used. The key figures are presented exclusively on a diluted basis.

T30

EPRA-NRV, EPRA-NTA, EPRA-NDV

	31.12.2020			31.12.2019		
€ million	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributable to shareholders of the parent company	**7,365.6**	**7,365.6**	**7,365.6**	**5,909.9**	**5,909.9**	**5,909.9**
Non-controlling interests	24.3	24.3	24.3	24.0	24.0	24.0
Equity	**7,389.9**	**7,389.9**	**7,389.9**	**5,933.9**	**5,933.9**	**5,933.9**
Hybrid instruments	464.3	464.3	464.3	26.1	26.1	26.1
Diluted NAV at fair value	**7,829.9**	**7,829.9**	**7,829.9**	**5,936.0**	**5,936.0**	**5,936.0**
Deferred tax in relation to fair value gains of IP and deferred tax on subsidised loans and financial derivatives	1,431.3	1,417.4	–	1,392.2	1,375.1	–
Fair value of financial instruments	102.7	102.7	–	84.0	84,0	–
Goodwill as a result of deferred tax	–55.9	–55.9	–55.9	–55.8	–55.8	–55,8
Goodwill as a result of synergies	–	–43.7	–43.7	–	–83.4	–83.4
Intangibles as per the IFRS balance sheet	–	–2.8	–	–	–1.4	–
Fair value of fixed interest rate debt	–	–	–443.0	–	–	–333.5
Deferred taxes of fixed interest rate debt	–	–	87.2	–	–	73.0
Revaluation of intangibles to fair value	–	–	–	–	–	–
Estimated ancillary acquisition costs (real estate transfer tax)	1,421.7	–	–	1,184,7	–	–
NAV	**10,729.7**	**9,247.6**	**7,374.5**	**8,541.1**	**7,254.5**	**5,536.3**
Fully diluted number of shares	**75,534,292**	**75,534,292**	**75,534,292**	**69,009,836**	**69,009,836**	**69,009,836**
NAV per share	**142.05**	**122.43**	**97.63**	**123.77**	**105.12**	**80.22**

NAV has been the key metric relevant in the property industry to date. Details of the calculation system for this indicator can be found in the > glossary.

LEG Immo reported basic EPRA NAV of EUR 8,875.7 million as at 31 December 2020 (previous year: EUR 7,330.3 million). The effects of the possible conversion of the convertible bond and other equity interests are shown by an additional calculation of diluted EPRA NAV. The adjustment for goodwill effects results into a adjusted diluted EPRA NAV of EUR 9,264.3 million or EUR 122.65 per share as at the reporting date (previous year: EUR 7,273.0 million or EUR 105.39 per share).

T31

EPRA-NAV

€ million	31.12.2020 basic	31.12.2020 Effect of exercise of conver-tibles/ options	31.12.2020 diluted	31.12.2019 basic	31.12.2019 Effect of exercise of conver-tibles/ options	31.12.2019 diluted
Equity attributable to shareholders of the parent company	**7,365.6**	**–**	**7,365.6**	**5,909.9**	**–**	**5,909.9**
Non-controlling interests	**24.3**	**–**	**24.3**	**24.0**	**–**	**24.0**
Equity	**7,389.9**	**–**	**7,389.9**	**5,933.9**	**–**	**5,933.9**
Effect of exercise of options, convertibles and other equity interests	–	464.3	464.3	–	26.1	26.1
NAV	**7,365.6**	**464.3**	**7,829.9**	**5,909.9**	**26.1**	**5,936.0**
Fair value measurement of derivative financial instruments	134.7	–32.0	102.7	84.0	–	84.0
Deferred taxes on WFA loans and derivatives	1.2	–	1.2	6.2	–	6.2
Deferred taxes on investment property	1,430.1	–	1,430.1	1,386.0	–	1,386.0
Goodwill resulting from deferred taxes on EPRA adjustments	–55.9	–	–55.9	–55.8	–	–55.8
EPRA-NAV	**8,875.7**	**432.3**	**9,308.0**	**7,330.3**	**26.1**	**7,356.4**
Number of shares	**72,095,943**	**3,438,349**	**75,534,292**	**69,009,836**	**0**	**69,009,836**
EPRA NAV per share (€)	**123.11**	**–**	**123.23**	**106.22**	**–**	**106.60**
Goodwill resulting from synergies	–43.7	–	–43.7	–83.4	–	–83.4
Adjusted EPRA NAV (w/o effects from goodwill)	8,832.0	432.3	9,264.3	7,246.9	26.1	7,273.0
Number of shares	72,095,943	3,438,349	75,534,292	69,009,836	0	69,009,836
Adjusted EPRA NAV per share (€)	122.50	–	122.65	105.01	–	105.39
EPRA-NAV	**8,875.7**	**432.3**	**9,308.0**	**7,330.3**	**26.1**	**7,356.4**
Fair value measurement of derivative financial instruments	–134.7	32.0	–102.7	–84.0	–	–84.0
Deferred taxes on WFA loans and derivatives	–1.2	–	–1.2	–6.2	–	–6.2
Deferred taxes on investment property	–1,430.1	–	–1,430.1	–1,386.0	–	–1,386.0
Goodwill resulting from deferred taxes on EPRA adjustments	55.9	–	55.9	55.8	–	55.8
Fair value measurement of financing liabilities	–465.7	–	–465.7	–333.5	–	–333.5
Valuation uplift resulting from FV measurement financing liabilities	172.8	–	172.8	130.1	–	130.1
EPRA-NNNAV	**7,072.7**	**464.3**	**7,537.0**	**5,706.5**	**26.1**	**5,732.6**
Number of shares	**72,095,943**	**3,438,349**	**75,534,292**	**69,009,836**	**0**	**69,009,836**
EPRA-NNNAV per share (€)	**98.10**	**–**	**99.78**	**82.69**	**–**	**83.07**

Loan-to-value ratio (LTV)
Net debt in relation to property assets declined slightly in the reporting period, largely due to portfolio measurement.

As a result of the transition to IFRS 16, financial liabilities are corrected by lease liabilities, whose corresponding right of use is not reported as investment properties.

The loan-to-value ratio (LTV) is therefore EUR 37.6 % (previous year: 37.7 %).

T32

Loan-to-value ratio

€ million	31.12.2020	31.12.2019
Financing liabilities	5,869.0	5,053.9
Without lease liabilities IFRS16 (not leasehold)	30.8	31.8
Less cash and cash equivalents	335.4	451.2
Net financing liabilities	**5,502.8**	**4,570.9**
Investment properties	14,582.7	12,031.1
Assets held for sale	21.6	25.2
Prepayments for investment properties	43.3	53.5
Real estate assets	**14,647.6**	**12,109.8**
Loan-to-value ratio (LTV) in %	**37.6**	**37.7**

Financial position

Financing structure

The Group generated a net profit for the period of EUR 1,364.5 million (previous year: EUR 821.1 million). Equity amounted to EUR 7,389.9 million (previous year: EUR 5,933.9 million). This corresponds to an equity ratio of 48.4 % (previous year: 45.9 %).

A cash dividend of EUR 172.4 million was paid from cumulative other reserves in the reporting year.

Statement of cash flows

The condensed statement of cash flows of LEG Immo for 2020 is as follows:

T33

Statement of cash flows

€ million	01.01. – 31.12.2020	01.01. – 31.12.2019
Cash flow from operating activities	326.1	318.2
Cash flow from investing activities	–1,332.2	–489.1
Cash flow from financing activities	890.3	388.5
Change in cash and cash equivalents	**–115.8**	**217.6**

Higher proceeds from net cold rent had a positive effect on the development of cash flow from operating activities. By contrast, extraordinary payments for property transfer tax of EUR 10.0 million for a real estate company acquired in 2016 and accounted in accordance with IFRS 3, as well as the EUR 16.0 million paid to the “Your Home Helps” foundation’s capital stock, contributed to the decrease in cash flow from operating activities. Overall, cash flow from operating activities therefore increased by EUR 7.9 million year-on-year to EUR 326.1 million.

Acquisitions and modernisation work on the existing property portfolio resulted in payments of EUR 1,375.1 million reported in cash flow from investing activities. There are also cash payments for investments in intangible assets and property, plant and equipment of EUR 15.6 million and of EUR 20.2 million for the purchase of shares in a fully consolidated company. This was offset by cash proceeds from property disposals of EUR 48.7 million and repayments of long term invested financial resources of EUR 30.0 million.

The utilisation of new loans in the amount of EUR 403.4 million, repayments of EUR 190.2 million, issues of a registered bond of EUR 50.0 million, a convertible bond of EUR 544.0 million and the capital increase of EUR 269.6 million impact cash flow from financing activities. Due to issuing stock dividends, the dividend distribution in 2020 of EUR 172.4 million was EUR 50.7 million lower than in the previous year (EUR 223.1 million).

The LEG Group was solvent at all times in the past financial year.

In respect to events after the reporting period, please refer to the notes to the > consolidated financial statements.

Risks, opportunities and forecast report

Risk and opportunity report

Governance, risk & compliance

Standard process for integrated management of corporate risks

LEG regularly reviews opportunities to promote the development and growth of the Group. In order to take advantage of opportunities, risks may also have to be taken. It is therefore essential that all key risks are recognised, assessed and professionally managed. As part of its responsible handling of risk, a Group-wide structure for the identification, management and controlling of risks has been implemented. Central components of this are the risk management system (RMS) and the internal control system (ICS).

Accounting process/internal control system

In 2012, LEG established an internal control system in line with the relevant legal provisions and industry standards that comprises principles, procedures and measures aimed at ensuring proper accounting and procedures. Regarding the accounting process, the aim and purpose of the internal control system is to ensure the application of statutory requirements and the correct and complete recording of all transactions. Regarding business processes, which are divided into strategic, core business, operational and central support processes, the ICS ensures that all recurring transactions are recorded and presented accurately, completely and in accordance with statutory requirements in addition to being verified and updated on an ongoing basis.

The internal control system has the following objectives:

- Fulfilment of and compliance with the legal provisions and guidelines applicable to LEG
- Ensuring the regularity, completeness and reliability of internal and external accounting
- Targeted monitoring of business processes
- Ensuring the effectiveness and economic viability of business activity (in particular the protection of assets, including the prevention and identification of asset losses)

The ICS is constantly being expanded and optimised to meet business process requirements. Various processes have been revised or supplemented in the context of regular updates. Process descriptions are reviewed by the Legal, Internal Audit, Compliance, Governance Bodies and Human Resources department for appropriate ICS audit steps and the prevention of incentives to non-compliance prior to their implementation.

LEG's Internal Audit conducts process-independent audits to monitor the effectiveness of the internal control system. On this basis, the Supervisory Board and the Audit Committee review the functionality of the internal control system with respect to the accounting process.

The key features as regards the (consolidated) accounting process are summarised as follows:

LEG has a clear and transparent organisational, control and management structure. The duties within the accounting process are clearly defined and explicit roles are assigned. Self-control, the dual/multiple control principle, the separation of functions and analytical audit procedures are central elements in the accounting process.

- The accounting process is aided by standard software in that IT authorisations reflect the authorities described in the guidelines and thereby guarantee system control.
- There is integrated central accounting and central controlling for the key Group companies.
- The uniform Group-wide accounting, account assignment and measurement criteria are regularly examined and updated.

Compliance management

Compliance is a key element of responsible and successful corporate governance at LEG. LEG has an interest in ensuring the trust of its tenants, customers, business partners, employees, shareholders and the public in its corporate governance. LEG's compliance management system (CMS) is designed with this in mind. In particular, it includes the following elements:

Declaration of fundamental values

LEG's declaration of fundamental values describes the company's objective and strategy, as well as the values that form the basis of LEG's work with customers, employees, investors, business partners and society.

Code of Conduct

LEG's Code of Conduct describes its declaration of fundamental values in more detail and translates the values set out here for every-day business into regulations for the conduct of our employees. It contains regulations for areas such as ethics, compliance, corruption prevention, conflicts of interest, data protection, discrimination and the protection of company property as well as for political and social discussion and donations and applies to everyone who works for LEG. Details on these standards of conduct can be found in internal Group rules and guidelines, which are published on the intranet.

Guidelines, especially guidelines aimed at preventing corruption and conflicts of interest

Group-wide guidelines include, in particular, guidelines aimed at preventing corruption and conflicts of interest. These serve to promote integrity among our employees and avoid corruption and conflicts of interest. The guidelines explain the terms integrity and conflict of interest, as well as explaining and defining bans related to bribery and corruption. The objective of the guidelines is to make employees aware of the development and risks of situations that are susceptible to corruption in all areas of the LEG Group and to clarify the applicable compliance requirements. They therefore help prevent corruption. It is the responsibility of every employee and manager to comply with these guidelines. There is a zero-tolerance-policy in place.

Business Partner Code
LEG's Business Partner Code is agreed with business partners, is binding and sets out collaboration principles to guarantee integrity, reliability and economically and ethically sound standards of conduct as well as standards regarding environmental protection.

Human rights guidelines
LEG is committed to upholding the human rights of all employees and all those involved in its business operations, and it expresses this in its human rights guidelines.

Based on these fundamental provisions, the CMS bundles measures intended to ensure compliance with legal provisions and internal guidelines. CMS measures include frequent and ad hoc training sessions for employees. The LEG compliance management system also features a whistle-blower system. All information is investigated and measures are taken as appropriate.

The regular analysis of compliance risks in combination with the early recognition of significant business and litigation risks, and the corresponding countermeasures, are at the heart of the compliance system.

LEG has appointed a Compliance Officer to head up the compliance management system. The Compliance Officer assists executives in ensuring compliance. He is also in charge of employee training and advice. At regular meetings, the heads of Internal Audit, Law and Human Resources departments discuss the design of the compliance management system. Permanent benchmarking against other compliance management systems and independent assessment by external experts also serve to ensure the continuous development and improvement of our compliance management system. In 2019, the compliance management system of LEG was certificated by the Institute for Corporate Governance in the German Real Estate Industry. In 2021, LEG strives for a renewed certification.

Compliance is assigned to the Legal, Internal Audit, Compliance, Governance Bodies and Human Resources department, whose head reports directly to the CEO of LEG.

The Audit Committee of the Supervisory Board discusses the topic of compliance on a regular basis and reports to the Supervisory Board accordingly. In the event of urgent notification of serious cases, the Management Board and the Supervisory Board committees are promptly informed of significant developments in the area of compliance.

Other guidelines

Other guidelines that are mandatory for all employees concern the topics employees and diversity, whistle-blower, environmental and water. They are published on the website of the company: www.leg-wohnen.de/en/corporation/sustainability/codes-and-guidelines/policies.

Risk Management

LEG Immobilien AG has a Group-wide risk management system (RMS). A key component of LEG's risk management system is the Group-wide risk early warning system. This system is supported by the R2C IT tool.

The coordination and monitoring of the overall system, the organisation of processes, methodological approach and responsibility for the IT tool used fall within the purview of Controlling and Risk Management. The organisational structure that has been implemented and regular consultation with the Planning, Reporting, Accounting, Project Management and Internal Audit departments thus allows uniform, traceable, systematic and consistent procedures. As such, the conditions have been created to identify, analyse, assess, control, document, communicate and track the development of risks. The risk early warning system satisfies the general legal conditions and ensures audit security.

LEG's risk early warning system was examined by an auditing company regarding the requirements of the German Stock Corporation Act as part of its audit of the annual financial statements. The audit found that the Management Board has taken the measures prescribed by section 91 (2) AktG on establishing an appropriate risk early warning system and that the risk early warning system is suitable for identifying developments that could jeopardise the continued existence of the company at an early stage. The regulatory requirements of LEG's risk early warning system were satisfied this year too.

The risk management system in place is subject to a constant process of development and optimisation to adapt it to new internal and external developments. For instance, further methodological optimisation was implemented in the financial year. The new legal requirements under the audit standard 340 (new version) are being implemented. Within the first half of 2021 they will be fully implemented. An interface was introduced between the LEG sustainability report and the LEG risk management report. In addition to monetary risks, in future non-financial risks will also be included in the risk management report and reported to the Management Board and Supervisory Board.

At an operating level, the results of the quarterly risk inventories are reported to the decision-making and supervisory committees. The Management Board and Risk Management also discuss the assessment and management of the risks identified and resolve and implement changes as necessary. In addition to the quarterly risk reports to the Management Board, material risks with a potential net loss of EUR 0.2 million or more must be immediately reported to the Management Board.

The risk inventory reports derived from the risk inventories also include a so-called trend radar for an early recording of potential strategic chances. The foundation for all reporting are the risk inventories, for which the uniform, traceable, systematic and permanent procedures are based on the following assessment content and schemes for risks.

Assessment content/schemes

In a uniform risk catalogue system – broken down by categories and their subcategories – risks are calculated and assessed by the risk owners as part of a non-central, bottom-up analysis. The risk catalogue comprises both strategic and operational risks. To help substantiate and prioritise risks at LEG, they are assessed and classified according to net liquidity impact and probability of occurrence. The benchmark for assessing and classifying the potential impact is the effect on liquidity and business planning. The individual risk assessment is therefore always based on the corresponding change in liquidity and the five-year business plan adopted by the Supervisory Board.

LEG uses a risk assessment matrix consisting of four categories for the liquidity impact of risk notifications (Y-axis). A risk assessment model with four groups has also been established for probability of occurrence (X-axis).

The individual groups for assessing the impact on liquidity are as follows:

a) Low: net impact between EUR 0 million and EUR 0.5 million
b) Moderate: net impact between EUR 0.5 million and EUR 2.25 million
c) High: net impact between EUR 2.25 million and EUR 11.25 million
d) Severe: net impact upwards of EUR 11.25 million

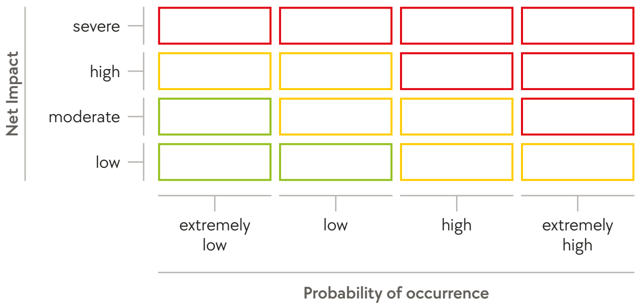
The categories for the probability of occurrence are as follows:

a) Extremely high: 50 % ≤ x < 100 %
b) High: 20 % ≤ x < 50 %
c) Low: 5 % ≤ x < 20 %
d) Extremely low: 0 % < x < 5 %

This model forms the basis for an assessment matrix that uses a traffic light system (red, yellow, green) to classify the individual risk notifications in terms of their expected values (net impact multiplied by probability of occurrence):

G11

Risk matrix



Overall assessment of risks and opportunities

General risks such as macroeconomic risks and market risks are first discussed below. Continuing from the overall risks, those that the company feels are particularly relevant have been described together with the measures used to control them. At the time of preparing this report, the Management Board did not expect any risks to the continued existence of the LEG Group as a whole for the 2021 and 2022 financial years.

Risk reporting

Macroeconomic risks

The German property market is influenced by general economic factors beyond LEG's control. The development of the domestic and international business, and of the financial markets as well, can therefore give rise to risk factors for LEG's business model.

Germany was not spared the global collapse in economic output that followed the COVID-19 crisis and so its economy plummeted in the first six months of 2020. Thanks to global economic stimulus programmes and geopolitical measures taken by central banks, this was at least partially recouped in the second half of the year. Nonetheless, both global and German economic output towards the end of the year were lower than in the previous year. In certain industries, such as aviation, the crisis will also leave its mark in the medium term and curb economic recovery. In the automotive industry, the challenges were further intensified by technological change. Against this backdrop, economists' forecasts for Germany are cautious. The economy is, however, expected to pick up in 2021 in comparison to the previous year. The extent of this recovery will depend on how the COVID-19 pandemic progress, the availability of suitable vaccines and the effectiveness of governments' and central banks' fiscal and monetary efforts.

Major deterioration of the macroeconomic environment (for example due to the Brexit or new trade conflicts) could have a negative impact on the German labour market and the income of private households, and thereby adversely affect LEG's letting business. In the long-term, unfavourable demographic trends could also weaken domestic demand and lead to shortages on the labour market. Furthermore, there is the risk of rising interest rates on the financial markets. A significant increase in interest rates could have a negative impact on the valuation of properties and, in the medium term, on LEG's financing conditions as well.

When it comes to the megatrend of digitisation, employment and income opportunities are likely to outweigh the risks in the long run. Digitisation also presents opportunities for LEG's business model with regard to increasing efficiency. The megatrend of climate change may give rise to both risks and opportunities for LEG's business activities. Further opportunities lie in a significant acceleration of the global and European economy and in immigration and the resulting increase in demand for affordable housing on the German property market.

Market risks

The majority of LEG's property portfolio is located in Germany's most populous state, North Rhine-Westphalia (NRW). Through strategic acquisitions, LEG has also integrated properties in Lower Saxony, Bremen, Schleswig-Holstein, Hesse, Rhineland-Palatinate and Baden-Wuerttemberg in its portfolio. If acquisitions can also be implemented outside the core target markets of NRW, LEG will also take these opportunities in line with its strategic orientation.

Demand for housing and thus the attractiveness of the residential property market are essentially driven by a positive trend in population and household numbers. There are some significant differences here on account of the wide geographic spread of markets on which LEG operates, with a particularly noticeable gap between urban and rural locations. The price trend in recent years has made housing in cities and surrounding areas much less affordable, which is increasingly leading to shifts to alternative locations and thus higher demand for housing in neighbouring cities and districts near these metropolitan areas. Thanks to LEG's broad market presence, a possible flattening trend in prices in the metropolitan areas can be offset against stronger demand and thus prices in more rural regions.

LEG assesses the future risks and opportunities of market development using a wide range of internal and external data sources. These include publications by the state statistical offices and the Federal Statistical Office as well as independently prepared market reports, for example from public-sector sources, brokers, banks, professional associations and service providers. Using the Group data warehouse, internally available information is prepared for decision-makers in a timely manner and made available for analysis. Operational risks and opportunities for the company's own portfolio can thus be made transparent and alternatives for action can be derived accordingly.

In its property management processes and investment decisions, LEG makes a forecast regarding the future market development at the location, with an increased probability of investment in the case of a positive forecast. Conversely, negative forecasts for a market segment increase the probability of divestment, particularly in locations where the potential for value increases seems to have been exhausted already.

Property asset valuation risks

The regular valuation of the property portfolio is based on various parameters that are derived from independent market and forecast data where possible. Key parameters include the discount rate, market rents and their development, macro- and micro-location qualities, standard market levels of structural vacancies, forecasts for the inflation rate and official indicative land values.

Assessments of the technical condition of properties and the weighting of various parameters with an influence on valuation are not entirely free of subjective judgements. In particular, forward-looking factors are by nature subject to a risk of increased uncertainty and thus of incorrect assessments, even though the basis data is gathered with the utmost care. Any incorrect assessments made may have either a positive or a negative effect on the value of the property portfolio.

The time delay between the actual transaction and the publication of the statistics based on the transactions is a source of uncertainty for property valuation. While an analysis of historical value development may imply an increase in market prices, the market may in fact be experiencing consolidation or even a downward trend already. The resulting risk of incorrect valuations is reduced by permanently monitoring the market.

Investment in property as an asset class is in competition with forms of investment such as equities and bonds, as well as with alternative investments including cryptocurrencies, precious metals and venture capital. As such, a relative increase in the attractiveness of other forms of investment (e. g. due to yield or liquidity advantages) may have a negative impact on demand and thus on the development of property prices. The more suddenly and unexpectedly demand for other forms of investment increases, the stronger the effects on competing forms of investment are likely to be, meaning that – depending on the strength of correlation with the price trend – this may result in both significant rises and significant declines in prices.

Like other sectors, the property industry is governed by a cycle that plays out over a longer period due to the long investment periods involved. The dynamic price developments of the past therefore cannot automatically be projected into the future. By continuously monitoring the property and capital markets, LEG aims to assess and take advantage of the short, medium and long-term risks and opportunities arising from the cycle.

Risk categorisation

LEG classifies the identified individual risks based on main risk categories and risk subcategories. Risk aggregation currently only takes place in exceptional cases. The introduction of a risk aggregation process will be examined in the course of the 2021 financial year. The following comments therefore generally refer to the individual risks in the respective main risk categories and risk sub-categories. Individual risks that are assigned to the "red" assessment range for the next two years (2021/2022) and would have an net effect on liquidity of over EUR 2 million if they occurred are considered particularly relevant. The risk categories in which such individual risks exist are shown in the > table T34. If the individual risks identified are eligible for provisions and have an "extremely high" probability of occurrence, a provision was recognised as at 31 December.

Barring a few exceptions, the risk situation is the same as in the previous year.

As in the previous year, there is no relevant risk within the main risk categories of corporate risk, accounting, information and communication risks and project risks.

In the property risks category, two red risks from business and technical management were downgraded to yellow. The risk from the subcategory portfolio management that was reported in the previous year still exists.

The risk situation for financial, tax and compliance risks is unchanged against the previous year.

The risk from HR that was reported in the previous year no longer exists.

T34

Risk categories

Main risk category	Subcategory	Net liquidity impact	Probability of occurrence
General business risks	No relevant individual risks	–	–
Compliance risks	Other	Severe	Extremely low
Property risks	Portfolio management	Severe	Low
Finance	Prolongation risk	Severe	Extremely low
	Breach of covenants	Severe	Extremely low
Accounting	No relevant individual risks	–	–
Tax risks	Taxes/levies	Severe	Low
Human resources risks	No relevant individual risks	–	–
Legal risks	Liability/insurance risks	Severe	Low
	Changes in law	Severe	Low
Information and communication risks	No relevant individual risks	–	–
Project business risks	No relevant individual risks	–	–
Sustainability risks	No relevant individual risks	–	–

In the legal risks category, the probability of occurrence for liability/insurance risks (breach of insider trading rules) is still considered low.

New risks with potentially high relevance are based in particular on politically discussed legislative changes. The new risks are therefore mainly related to the following topics:

The risks posed by legislative changes (e. g. ability to pass on CO_2 levy; national rent cap) remain. Another risk from changes in the law has been added in the course of 2020. It consists of the "apportionability of basic TV provision". By deleting Section 2 No. 15 b of the BetrKV, the apportionment of fees for basic TV provision would no longer be possible under tenancy law. The currently published draft bill (as of December 2020) assumes a two-year grandfathering. The data protection risk (GDPR) was downgraded to yellow and so is no longer listed.

The main risk category "sustainability risks" was integrated for the first time and will act as the interface to the LEG sustainability report in future. There are not currently any sustainability risks subject to reporting requirements. Transitional and physical climate risks are recorded with the above-mentioned apportionability of the CO_2 levy in the category legal risks/changes in law and in the category property risks/modernisation/maintenance (dry cracks in buildings due to climate change).

In addition to the tabular presentation of the individual risks, the main risk categories of our business model, based on the risk inventory of 31 December 2020, are explained in more detail below regardless of their valuation levels.

General business risks
Under the LEG risk assessment matrix, general business risks are a main risk category that does not contain any relevant individual risks.

In view of the global effects of the coronavirus pandemic on the economy and society, all current forecasts can be made only with a considerably higher degree of uncertainty. This applies particularly in the context of international links and interrelations between the financial markets, the real economy and political decisions, which each individually have an influence on the economic effects of the pandemic already, but when combined are impossible to assess with any certainty ex ante. The following sections are therefore based on the fundamental premise that the coronavirus pandemic represents a temporary incident.

Development of property prices and demand
After the pandemic has been overcome, supply and demand for housing will still be the decisive factors for future price development. It can be assumed that the general conditions in terms of supply (only a slightly increasing number of completions) and demand (continued high level of migration to Germany, particularly in cities and densely populated areas) will continue.

Development of rent defaults and rent deferrals
Only a slight increase in rent defaults can be observed at present. This is partly due to the extensive state transfer payments and continued payment of wages by way of short-time work regulations. Due to the LEG-specific low level of commercial letting (area and net cold rent share below 3 %), potential rent defaults from commercial properties can be classified as insignificant.

Housing vacancies
Tenants may face financial hardship due to the Sars-CoV-2 pandemic and be forced to terminate their tenancy. No developments can be seen at present that would indicate higher vacancies. It is even conceivable that immigration from EU countries that are hard hit by the economic consequences of the SARS-CoV-2 pandemic could increase, as in the financial crisis in 2008/2009, creating additional demand for housing in the medium term. In the event of a severe recession, it could even prove to be an opportunity specifically for LEG Immobilien AG that the company has a large number of affordable apartments and can thus benefit from increased demand for inexpensive housing in times of recession.

Quarantine and health risks
Due to intensive protective measures (e. g. home office regulations, masks and disinfectants, introduction of purely digital processes to avoid contact; A/B working groups), the risk of infection for LEG Immobilien AG employees is manageable. The crisis team that has been set up continuously monitors the incidence of infection and adapts the protective measures introduced at any time to the development of the pandemic.

After carefully weighing up the information currently available at LEG Immobilien AG, we have come to the conclusion that the effects of the pandemic on the housing sector in Germany will be only temporary. With regard to our company in particular, the effects on the business performance and the intrinsic value of the real estate assets should be manageable, and there could even be opportunities for LEG Immobilien AG in some cases. This conclusion was reached based on the expertise of our own employees, who have many years of experience in the housing market, informal discussions with colleagues from other housing companies and on analyses of publications, studies and position papers prepared by experts.

Compliance risks
Compliance risks are a relevant main risk category, which contains individual risks according to the LEG risk assessment matrix.

Fraud can occur in particular where there are business, contractual or even personal relationships between employees of the LEG Group and outside persons. Irregular lease benefits can occur in letting business. Similarly, particularly on markets characterised by housing shortages, unfair practices can occur in the attempt to be given an apartment. These risks are countered by organisational measures. Examples of these are the use of standardised lease agreements, the stipulation of target rents and advising prospective tenants that there is no commission on LEG apartments.

Services rendered by third parties can involve orders or invoices that are not consistent with market standards. This can apply to any kind of service or consulting, such as maintenance, agency or financing services. In order to prevent fraud standardised agreements including anti-corruption clauses have been prepared. There is also a Code of Conduct that is binding for all LEG employees as well as a Code of Conduct for business partners, and that all contractual partners are expected to obey. A clear separation of functions between procurement and invoicing has also been introduced as a further organisational measure.

Property risks

Modernisation/maintenance risks

Modernisation/maintenance risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Changes in the legal and regulatory framework relating to energy requirements, the duty to implement safety precautions and tenant protection may affect the economic viability of modernisation and maintenance measures or necessitate extraordinary measures. The monetary impact of expected changes in requirements or laws can usually be calculated in advance on account of the corresponding implementation periods, and are included in LEG's regular business planning.

If unforeseeable maintenance measures become necessary at short notice (this particularly relates to measures to ensure continued safety), these immediately undergo a risk assessment so that suitable measures can be initiated to minimise the risks. Possible causes of such events include mainly bad weather, negative effects of mining or other natural hazards.

In the case of modernisation work with an effect on rents, typical project deadline and cost risks may lead to a deterioration in profitability compared to planning. This particularly applies if conditions on the local housing market mean that unscheduled cost increases cannot be passed on to the tenants without overburdening their ability to pay. Rental legislation also limits the ability to pass on modernisation costs. By contrast, time delays generally only lead to rent increases being implemented later than planned.

Objections on the grounds of hardship or formal errors in implementing rent increases may also mean that the rent increases that can be implemented are lower than planned. All these risks are taken into account by way of intensive project controlling.

Property management

Property management is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Property management risks of a technical nature arise from the quality and structure of the buildings. Buildings from certain years or of certain types may be more likely to have associated defects and therefore require increased maintenance. Particularly in the case of portfolio acquisitions, there is an increased risk that structural deficiencies may only become noticeable over time, despite careful technical inspection during the acquisition process. Contractual relationships that may have to be assumed in the context of acquisitions may give rise to costs that have worse price/performance conditions compared to the contracts originally negotiated by LEG.

Over time, contracts already in place for technical maintenance may also prove to have a worse price/performance ratio compared to current market conditions. Building regulations such as safety precautions and fire protection must be followed and may entail increased staff and maintenance costs. To minimise the risks involved in technical management, LEG continues to focus its efforts on pooling and standardising services, optimising processes and integrated service management.

There are commercial property management risks in relation to poor implementation of rent adjustments. In particular, post-refurbishment rent adjustments are sometimes challenged by the public and may meet with resistance by tenants. Particularly in the case of portfolio acquisitions in which modernisation-related rent increases were implemented by the former owner, there is a risk that the agreed rent increases may not meet LEG's requirements. Despite careful review during the acquisition process, there may therefore be increased legal disputes with the resulting risks in the form of rent reduction claims.

Portfolio risks

Portfolio risks are a relevant risk subcategory, which contains individual risks according to the LEG risk assessment matrix.

Portfolio risks are assessed on an ongoing basis to identify events with a potential impact on the properties' intrinsic value and derive actions to be taken. Technical risks relate particularly to unexpected and unforeseeable deterioration in the fabric of building > Maintenance risks. Regular property and safety inspections by qualified personnel serve to minimise risks here.

On the demand side, negative developments in economic conditions create a risk that affects tenants' willingness and ability to pay. Changes in what people want when it comes to housing may also result in a decline in demand for housing in particular markets or just for the specific product offered by LEG. These changes in demand are monitored by LEG in the context of its management processes, and suitable measures are taken if foreseeable permanent changes occur.

With regard to the supply of rental housing, a tougher competitive situation, for example driven by substantial new construction, may result in housing of a similar or better quality being offered at comparable or lower prices, putting pressure on LEG's vacancy situation. Continuous monitoring of the competition based on freely available market data and LEG's local management expertise reduces the associated risks on the supply side.

Risk of rent default

Risk of rent default is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

As a housing company, LEG is subject to the risk of lost rent. Precautions are taken to minimise this risk with standardised credit checks for rentals, and by identifying problematic leases as part of active receivables management. This also entails initiating appropriate countermeasures. The risk of loss of rent exists in individual cases. This risk is reflected in accounting by recognising allowances in an appropriate amount. In particular, the default risk for commercial tenants has increased as a result of the coronavirus pandemic and resulting forced business closure orders, but these tenants account for only an insignificant share of the overall portfolio. Corresponding allowances were recognised for the receivables as at 31 December 2020.

Acquisition risks

Acquisition risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Acquisitions are subject to the structured acquisition process. Internal and external experts are involved in reviews, ensuring high-quality assessments of the quality of properties. Furthermore, this approach makes it possible to develop portfolio optimisation measures and their (rent) development. The reviews also ensure that the required human resources and financing options are identified.

In addition to the risk of incorrect assessments during the acquisition, there is a risk that relevant information comes to light only after the acquisition has been concluded. The risk here is that this information will negatively affect economic assumptions and thus impact the evaluation and/or profitability of properties. As far as possible these risks are safeguarded against on the basis of guarantees or declarations by sellers in purchase agreements with guarantors of sufficiently high credit standing or for which money is deposited in notarial accounts in individual cases. However, these guarantees are subject to minimum and a maximum total damage amount. If the seller either is unwilling to make the guarantee or has a poor credit rating that prevents it from doing so, matters relevant to an audit are subjected to an additional audit in order to identify any risks. There is also the opportunity that the properties acquired perform better than expected in terms of rent, quality and occupancy rate as a result of extensive rent and neighbourhood management by LEG.

In share deals, in which usually 94.9% of the shares in the target property company are acquired, LEG has the obligation to find an investor for the remaining minority interest, or alternatively to take on this minority interest itself, by a fixed date. Under current legislation, the subsequent acquisition of the minority interest by LEG triggers property tax for the entire transaction, which is not generally part of the underlying business plan (see also the explanations under the category tax/taxes and levies).

Sales risks

Sales risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

LEG's sales activities primarily consist of privatisation of individual apartments and sale of individual properties for management and portfolio optimisation. In some individual cases, a property portfolio and/or an entire company that holds properties may also be sold. The structured sales process applied at LEG guarantees the safe selection of disposal portfolios, chiefly by involving a wide range of internal departments. Moreover, the process allows sustainable and open market placement of the properties to be sold and the selection of sound purchasers with strong credit ratings.

The main risk is that the planned purchase prices are not possible on the market. After sales have been made, guarantees can be violated leading to a subsequent reduction in the purchase price or, in the event of the buyer's failure to comply with contractual obligations, the rescission of agreements.

The currently high demand on the transaction market, even for opportunistic properties, is seen as an opportunity and can be leveraged to selectively sell properties that are not a good fit for LEG's core portfolio in the long term.

Finance

Prolongation risk

Prolongation risk is a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Rollover risk describes the risk that, when financing expires, follow-up financing cannot be prolonged or cannot be prolonged at the anticipated conditions, thereby necessitating the repayment of financing. This risk is limited at the LEG Group thanks to the long-term financing structure and the distribution of maturities over a period of several years. The rollover risk is also very minor thanks to the currently consistently good finance market environment.

The rollover risk was already reduced significantly in 2019 thanks to comprehensive early refinancing. Long-term financing agreements were also agreed in 2020 and financial instruments were issued such as a convertible bond, further minimising the rollover risk. Financing does not fall due for repayment and come up for renewal until 2023.

LEG has access to a broad spectrum of financing instruments on the bank, capital and money markets. In addition, LEG has sufficient cash and cash equivalents and credit facilities at its disposal to minimise refinancing risks.

Breach of financial covenants

Breach of financial covenants is a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Failure to comply with contractually agreed financial covenants can lead to the risk of extraordinary termination of financing agreements. Such termination may also entitle other creditors to terminate their financing agreements early under the contractually agreed cross-default regulations. A breach of financing agreements can also lead to higher interest payments, special repayments or the realisation of the collateral provided. In the event of a failure to comply with covenants, this may result in access to the pledged rental accounts of the respective financing portfolios, which could negatively impact the LEG Group's cash flow generation.

An internal control process has been implemented at LEG to ensure compliance with financial covenants. The covenants stipulated in financing agreements were complied with at all times in the past financial year. There are no indications that financial covenants will not be complied with in future. The amount and volume of risk-related financing was further reduced in 2020 as the underlying property portfolio performed well.

Stability of bank partners (banking market)

Stability of bank partners is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

In light of the long-term business relationships, the stability of core banks is a key criterion for the LEG Group. Both the consistency of business policy and the economic strength of financing partners are key elements in this context. A deterioration in the economic situation of a bank or the banking market as a whole can trigger the risk of a change in the financing partners' business policy, possibly resulting in more restrictive lending, higher margins and thus ultimately rising relative costs of debt.

The default of a financing partner can have an adverse economic impact, particularly under contractual arrangements that give rise to claims on the part of LEG, e.g. derivative interest hedges. The internal guidelines for concluding new interest rate hedges therefore provide corresponding minimum requirements regarding the counterparty's credit rating.

Liquidity risk

Liquidity risk is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Ensuring solvency at all times is constantly monitored by means of a rolling liquidity plan. The binding internal treasury policy stipulates that a defined minimum liquidity reserve must be maintained. Sufficient liquidity was available to cover all LEG Group's obligations at all times in the past financial year. Given the highly stable cash flow from the management of residential properties, no circumstances that could give rise to a liquidity bottleneck are currently foreseeable.

The volume of short-term credit facilities was increased in 2020 to expand liquidity reserves in light of the pandemic.

Changes in interest rates

Change in interest rates is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Interest rate risk essentially relates to financing agreements for which there is no long-term interest agreement. Around 93 % of LEG's liabilities are hedged on a long-term basis predominantly by using fixed interest rates and interest rate swaps. Hence there are no significant foreseeable interest rate risks.

Debt risk/rating downgrade

Debt risk/rating downgrade is a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

The leverage ratio has a significant effect on the assessment of LEG's economic situation and therefore on its access to the financing market. LEG is planning to maintain a conservative debt ratio in future and the results of operations are also expected to remain stable with consistently low average interest expenses. Analysts, banks and the rating agency Moody's (Baa1, stable) attest to the LEG Group's strong market position with regard to its debt ratio. A deterioration of these credit assessments is not expected.

Accounting

Accounting is a main risk category, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

Risks relating to accounting may firstly result from a failure to comply with statutory regulations, which could lead to incorrect annual, consolidated or quarterly financial statements. Secondly, violations of other regulatory requirements such as the German Corporate Governance Code, or disclosure obligations could, for example, result in a limited qualified audit opinion or record of denial, reputational damage or negative effects on the share price. An internal control system for the accounting process is in place to counteract this risk.

Tax risks

Taxes/levies

Taxes/levies are a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

Tax risks from external audits can achieve a relevant magnitude if they occur. The external audit currently in progress at the LEG Group covers the years from 2009 to 2012 and from 2013 to 2016.

In principle, the tax regulations on a ceiling for interest expenses provide for a tax deduction from net interest expenses (i. e. after deduction of interest income) up to the level of 30 % of taxable EBITDA. In the past, LEG also claimed an additional interest deduction using the "escape clause". This provides for unlimited interest deductibility if the Group's equity ratio is not significantly higher than the equity ratio of the individual operation.

The termination of Development business subject to VAT combined with a rise in sales that are exempt from VAT (acquisition of residential units) leads probably to a reduction in the general input tax code at the LEG Group.

Before acquiring shares in property companies, LEG transferred properties to these companies. In the opinion of the tax authorities, a higher assessment base for real estate transfer tax could be applicable to the entire transaction. A pending tax court case relating to this is currently on appeal before the German Federal Fiscal Court.

Based on guidelines from the German Federal Constitutional Court, a fundamental property tax reform was discussed and has now been adopted at federal level. Country concepts that differ from the federal regulation are still pending before legislators at this time. In this context the previous legally stipulated possibility to pass on property tax to tenants was not changed but is part of political discussions.

The amendments to the German Real Estate Transfer Tax Act proposed by the federal states and the government coalition, particularly the addition of the new notional state of affairs involving a change in ownership, entail a risk of real estate transfer tax being incurred with existing structures.

Human resources risks

Human resources risks are a main risk category, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

SOKA-BAU is the joint name for the holiday and wage compensation fund and the supplementary health insurance for the construction industry. The construction companies pay contributions to SOKA-BAU in an amount determined by collective agreements or by the German Act to Secure the Social Funds Procedure (SokaSiG). These contributions are determined such that they can finance SOKA-BAU's payments. SOKA-BAU demands corresponding contributions from TSP GmbH (51 % LEG subsidiary) and has initiated legal proceedings.

Human resources management faces major strategic challenges in irreversible megatrends such as demographic and technological change and the changing values of younger generations. LEG will meet these challenges mainly with life phase-oriented HR development and with measures and activities geared to the needs of current and future staff that contribute to LEG's employer branding and the work-life balance of its employees. LEG's HR management lastingly ensures its attractiveness and appeal as an employer while also allowing these aspects to evolve constantly. In 2019, LEG attained the coveted "career and family" seal. It also completed an agreement on flexible working hours.

Being and remaining an employer of choice requires a variety of measures to motivate qualified employees and managers in the long term and to ensure their loyalty to the company. LEG achieves this with a modern, pleasant working environment, attractive remuneration and the opportunity to develop personally. Activities that promote team spirit outside day-to-day business also play an important role for LEG.

Legal risks

Liability/insurance risks

Liability/insurance risks are a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

All employees and executive bodies of the LEG Group must comply with the statutory regulations on insider trading (Market Abuse Regulation). Violations mean the personal liability of those concerned and a loss of reputation by LEG; there are also significant risks of fines for LEG. A risk relevant to the LEG Group could result from this.

Information on the LEG Group is regularly analysed for its significance to the LEG Group and, if the legal requirements are met, categorised as insider information – sometimes even just as a precaution. If information really is insider information, it is communicated only among a select group of participants and the participants are expressly advised that this is confidential.

Furthermore, there are statutory lists of insiders and the persons on it, and persons likely to come into contact with insider information, receive special instruction – as soon as such insider information exists. In addition, there is an ad hoc committee that, firstly, can be reached at all times to discuss developments at short notice by using a group e-mail address created for this purpose and corresponding telephone directories; secondly, this committee meets regularly to discuss project issues and other fundamental issues concerning LEG's ad hoc obligations. Finally, technical measures have been set up to guarantee the technical publication of ad hoc disclosures at all times. As a result of these measures, the probability of occurrence of these risks is rated as low. Finally, the LEG Group is protected against any claims under securities trading law with basic insurance.

Contract risks

Contract risks are a risk subcategory, which does not contain relevant individual risks according to the LEG risk assessment matrix.

Risks in connection with warranties and legal disputes arise in particular from purchase and sale projects and the contracts on which they are based. Sufficient provisions for these were recognised in previous years.

Legal disputes

Legal disputes are a risk subcategory, which does not contain relevant individual risks according to the LEG risk assessment matrix.

In legal disputes, LEG distinguishes between active and passive proceedings. Active proceedings are all proceedings within LEG in which it is claiming a receivable. These can be payments in arrears under leases (low disputed values/high number of cases) or other claims, such as defect warranty proceedings from former construction activities (high disputed values/low number of cases). Active rental proceedings (rent receivables) are conducted out of court by the officers in charge (receivables management) and, if unsuccessful, reviewed by case management, a unit within Legal, Internal Audit and Compliance, Governance Bodies and Human Resources, and then passed on to a law firm. Active proceedings with a high disputed value are first examined by the Legal department in terms of the prospects of success. Thereafter a third-party lawyer may be engaged to collect the receivable. The further development of such proceedings is monitored by Legal.

Passive proceedings are all those in which receivables are claimed from LEG. Passive proceedings are always first passed on to the Legal department. It assesses the prospects of successfully defending against the claim and a third-party lawyer may be engaged to do so. The further development of such proceedings is monitored by Legal.

Claims are made against LEG on various grounds. The most common of these in terms of volume are past sales of properties or shares, and in connection with the intended use of subsidies. The risk reported last year concerning the recalling of subsidies no longer exists as the matter has been settled.

Other legal risks, legislative changes and data protection

Legislative changes are a risk subcategory, which contains relevant individual risks according to the LEG risk assessment matrix.

General legal risks and, in the event of the risk materialising, the disadvantages to LEG can arise in particular if legal stipulations are not or only insufficiently complied with. In addition, risks can arise if new laws or regulations are passed, or existing ones are amended, or if the interpretation of laws and regulations already in place changes. For example, risks can result with regard to technical building facilities or the conditions of the rental agreements for LEG's residential properties. Examples of new legal developments and requirements include rent control legislation and requirements under the EU General Data Protection Regulation (GDPR). LEG has assigned specialist employees to monitor these developments in order to identify risks early on. If risks occur, LEG minimises their impact through appropriate organisational measures, such as implementing modernisation measures or amending contracts and processes. Provisions and write-downs are recognised as necessary.

In connection with the German federal government's increased efforts to protect the climate, a climate protection package was adopted in 2019. Among other measures, this provides for pricing the building sector's carbon dioxide emissions from 2021 onwards. The aim is to increase the property sector's efforts to reduce emissions on the basis of an increase in the price per tonne of carbon dioxide over time. At the time this risk report was prepared, it was not clear to what extent the additional costs would be transferable to tenants. As such, there is a risk that LEG as a company may have to bear a significant portion of the additional costs for carbon dioxide emissions itself. The German federal government plans to increase incentives to save energy by means of additional subsidy programmes, so there is an opportunity to minimise risks here by utilising the subsidies.

Due to the tight housing market and the associated rent increases in recent years, the Berlin Senate has resolved on a rent cap. The Berlin rent freeze law (MietenWoG) is in place since 23 February 2020 (stage 1) and since 23 November 2020 (stage 2). Starting from 2022, rents can increase by up to 1.3 % per year, provided they remain below the permitted upper limit. Modernisation work and its allocation to rents is generally permitted as long as the rent does not increase by more than EUR 1 per square metre and the upper limit for rents is not exceeded by more than EUR 1.

LEG does not have any properties in Berlin and therefore is not affected by the rent cap. Nonetheless, the law could have a signalling effect and could also be introduced in other federal states in this form or in a modified form as a result of the current public debate on affordability of rents. In September 2019, the SPD parliamentary group in NRW called for nationwide rent controls (maximum increase by the general price increase and price cap for new contracts). However, the NRW state government has clearly indicated its opposition to such instruments. The CDU/CSU and FDP parliamentary groups have also announced a constitutional challenge to the Berlin rent cap in Mai 2020. According to a statement by the Berlin Constitutional Court, the Federal Constitutional Court intends to make a final decision on the rent cap by Totalr 2021.

Both risks depend on political decisions and are therefore difficult for LEG to influence. Only through work in property industry associations and dialogue with politicians and parties can LEG attempt to exercise political influence.

Information and communication risks

Information and communication risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

LEG Immobilien AG operates the property industry solution SAP/BlueEagle as an ERP system. In particular, integrated special applications are used to support competition-related business processes. All central applications are operated in a certified, external computer centre. Main data cables and critical system components are designed redundantly. Security software and hardware and organisational processes safeguard the integrity of systems and applications. Regular penetration tests performed by external companies and implementing the resulting recommendations ensure that the components used are up to date.

Project business risks

Commercial/technical project business risks from former commercial development

Commercial/technical project business risks from former commercial development are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

To prevent such risks from occurring, records and files are analysed and assessed in close coordination with the institution conducting the review (e. g. funding agencies). Provisions of a sufficient amount have already been recognised for the transactions currently ongoing.

Commercial/technical project business risks from new construction activities

Commercial/technical project business risks from new construction are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

LEG increasingly pursues new construction activities for its own portfolio; these are consistently controlled and monitored to avoid risks. Construction services continue to be procured from renowned project developers subject to strict technical and economic criteria.

Risks of an investment in a biomass combined heat and power station

Risks of an investment in a biomass combined heat and power station are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

LEG is the majority shareholder in a biomass heating power plant. The complex technology could cause unplanned downtime, thereby leading to risks. These risks include lost revenue or unplanned costs of repairs. Audits are carried out on a regular basis in order to prevent these risks. The system has been generating stable operating income for some time thanks to the work done and the ongoing positive market environment.

Other project business risks

Other project business risks are a risk subcategory, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

The risks in the Development area continued to diminish thanks to active risk management. The risks identified from old projects have largely been processed and the necessary provisions have been recognised. It is assumed that the measures taken will fully cover any potential future charges. There are no signs of any additional hidden liability risks from our former Development business.

Sustainability risks
Sustainability risks are a main risk category, which does not contain any relevant individual risks according to the LEG risk assessment matrix.

In addition to conventional monetary risks, non-financial sustainability risks have also been reported since the fourth quarter of 2020. No risks that are material for the environment and/or society were identified in the risk subcategories upholding human rights, employee matters, environmental issues, social issues or tackling corruption and bribery.

Report on opportunities

In addition to the opportunities discussed in the risk section, the significant opportunities of the LEG Group, which have not changed substantially since the previous year, are listed below:

As at 31 December 2020, the portfolio consisted of 144,530 residential units, 1,346 commercial units and 39,205 garages and parking spaces. This makes LEG Immobilien AG one of the leading listed property managers of residential housing in Germany. Its regional focus remains on North Rhine-Westphalia. Additionally LEG is present in the federal states of Lower Saxony, Bremen, Schleswig-Holstein, Hesse, the Rhineland-Palatinate and Baden-Wuerttemberg. A consistently value-oriented business model geared to growth and a focus on customers reconciles the interests of shareholders and tenants. LEG's growth strategy is aimed at the sustainable growth of its existing portfolio, the selective expansion of tenant-oriented services and value-adding acquisitions. Demand for affordable housing is rising.

One important growth driver is leveraging economies of scale through selective external growth. Acquisitions of around 64,500 residential units in total have been notarised and mostly transferred to LEG's portfolio since its IPO. Around 8,797 of these residential units were acquired in 2020. Further acquisitions are planned. The regional focus is on the existing core markets with the highest synergy potential. Acquisition activities are increasingly also being expanded in core markets identified in Lower Saxony, Bremen, Schleswig-Holstein, Hesse, the Rhineland-Palatinate and Baden-Wuerttemberg. By way of these strategic acquisitions, LEG also manages to expand its property management in these regions.

LEG is very well positioned and is experiencing continuous rental growth above the market average. This reflects the quality of the property portfolio, LEG's management expertise and the resistance to economic fluctuations. The main growth drivers in free-financed housing are regular rent index adjustments, adjustments in line with market rents particularly on new rentals and value-adding investments. The cost of rent is adjusted at regular intervals in the rent-restricted portfolio according to the legal requirements and restrictions. Increasing the occupancy rate on a like-for-like basis represents an additional opportunity.

Forecast

LEG achieved the targets that it set itself for the 2020 financial year. On account of the coronavirus pandemic, only the target for like-for-like rental growth had to be reduced in the reporting year. The following section compares the key performance indicators achieved against the forecast from the previous year.

FFO (funds from operations) is the key financial performance indicator in the property sector. In the previous year, LEG had defined FFO I in a range between EUR 370 million and EUR 380 million for the 2020 financial year. In the half-year report published as at 30 June 2020, LEG announced that it now expects to reach the upper end of this range – including for acquisitions made. The quarterly report published as at 30 September 2020 issued a more precise outlook of approx. EUR 380 million. With FFO of EUR 383.2 million for the 2020 financial year, LEG could outperform the outlook.

Before the start of the coronavirus pandemic and the first lockdown, LEG had expected like-for-like rental growth of approx. 2.8%. In light of the restrictions imposed on account of the pandemic, the voluntary and temporary deferral of rent increases according to section 558 German Civil Code (rent increase up to local reference rent level) and payment deferrals permitted by law, LEG's quarterly report as at 31 March 2020 assumed that like-for-like rental growth would be lower than 2.8% in the 2020 financial year. No more specific outlook could be given at this time due to the uncertainty surrounding the pandemic, including as regards the potential need to postpone modernisation work. The half-year report published as at 30 June 2020 contained a more specific outlook for like-for-like rental growth per square metre of approximately 2.3%. The like-for-like rental growth actually achieved was 2.3%, and thus in line with expectations.

In terms of like-for-like vacancies, a slight decline was assumed for 2020. As at 31 December 2020, the like-for-like vacancy rate was 2.6%, down on the previous year's level (2.9%) and the structural vacancy rate (2.8%).

LEG invests in its property portfolio to safeguard its quality and to leverage opportunities for greater energy efficiency and valuation. Around EUR 31 to EUR 33 per square metre was intended to be invested in maintenance and modernisation in the 2020 financial year, with value-adding investments eligible for capitalisation accounting for a significant share of this figure. To take advantage of the opportunities resulting from the temporary VAT reduction and craftsmen capacities, the outlook for investments was revised in the half-year report published as at 30 June 2020. LEG has since been planning investments of around EUR 38 to EUR 40 per square metre. Actual investment was EUR 41 per square metre in the 2020 financial year, slightly higher than expected. The capitalisation rate was 74.2%.

Value-adding acquisitions are a key element of LEG's growth strategy. LEG acquired a total of 9,535 residential units in the 2020 financial year and thus considerably exceeded its target of 7,000 units per year.

LEG bases its business model on a strong statement of financial position. To ensure a defensive long-term risk profile, LEG had therefore specified that the LTV in the 2020 financial year should not exceed 43 %. This target was held throughout the year, with an LTV of 37.6 % as at the end of the reporting period.

As anticipated, net asset value (NAV) was positively influenced by the increase of valuation multiples and rent development. EPRA NAV (not including goodwill) per share thus increased by 16.4 % to EUR 122.65 per share in the reporting year.

Outlook 2021

Global economic growth forecasts for 2021 are thus subject to considerable uncertainty at present in light of the still unresolved pandemic. The Bundesbank's most likely scenario for 2021 puts real GDP growth in Germany at 3.0 %.

To date, the coronavirus pandemic has had only a minor impact on LEG's operating activities. Fundamental conditions remain positive overall. Based on this, LEG issued its first outlook for the 2021 financial year in its quarterly report from 30 September 2020. Subject to further developments in the pandemic, LEG confirms its outlook for the key financial and operating performance indicators as follows:

FFO I

LEG projects FFO I for the 2021 financial year in the range of EUR 410 million to EUR 420 million. These figures do not yet take into account the effects of future acquisitions and disposals.

The following development is forecast for other relevant key performance indicators:

Rent

LEG is forecasting like-for-like rental growth of around 3.0 % for the 2021 financial year.

Investment

A range of EUR 40 to EUR 42 per square metre is to be invested in maintenance and modernisation work in the 2021 financial year, with value-adding investments eligible for capitalisation again accounting for most of this figure.

LTV

Maximum LTV is being maintained at 43 % to ensure a defensive long-term risk profile.

NAV and NTA

The European Public Real Estate Association (EPRA) has changed the definition of net asset value. From the 2020 financial year, the presentation will be based on three key figures, of which LEG defines and reports the NTA as the relevant key figure.

LEG assumes that the projected positive rental performance will also be reflected in a positive development in the value of its property portfolio, which in turn will have a positive effect on NAV or NTA. However, the ratio of rental growth to value development, which is expressed by the change in the rental yield on the property portfolio, is extremely difficult to forecast. Among other things, the required yield level for residential properties is influenced by the performance of other asset categories and the development of interest rates, and therefore cannot be forecast.

Dividend

LEG plans to distribute 70 % of its FFO I to its shareholders as a dividend on a long-term basis. Depending on the capital market environment, the dividend will be offered in cash or in shares.

Acquisitions

Assuming corresponding availability on the market, LEG is also striving to acquire around 7,000 units in the 2021 financial year. However, this is not included in the financial targets for 2021 given the difficulties involved in planning the scope and timing.

Remuneration report

The remuneration report outlines the structure and amount of the remuneration paid to the members of the Management Board and the Supervisory Board. The report is based on the recommendations of the German Corporate Governance Code (as amended 16 December 2019) and the requirements of the Handelsgesetzbuch (HGB – German Commercial Code). For the Executive Board compensation, the model tables of the GCGC 2017 are provided voluntarily.

Preliminary remarks

Lars von Lackum was appointed Chief Executive Officer (CEO) of the company effective June 1, 2019. Until June 30, 2020, Lars von Lackum had assumed responsibility for the finance department in addition to his previous duties.

Susanne Schröter-Crossan was appointed as a member of the Management Board and its Chief Financial Officer (CFO) as at 1 July 2020 until the end of 30 June 2023.

Dr Volker Wiegel was appointed as a member of the Management Board and its Chief operating Officer (COO) as of 1 June 2019.

On 11 December 2020, the Supervisory Board resolved to reappoint Lars von Lackum early for a period of five years until December 31, 2025 as a member of the Management Board and as Chief Executive Officer of the company. Dr Volker Wiegel was also reappointed prematurely for a period of three years until 31 December 2025 as COO of the company.

Remuneration system of the Management Board

The remuneration system takes into account joint and personal performance with a view to ensuring the company's sustained success. The remuneration system is based on performance and success. The key criteria are a long-term focus, appropriateness and sustainability.

The remuneration of the members of the Management Board consist of a fixed component (basic remuneration), a variable component with a short-term incentive function (STI), a variable component with a mid to long-term incentive function (LTI) and a transaction bonus for the whole of the 2020 financial year.

The respective contractually agreed annual targets for the individual remuneration components developed as follows:

T35

Remuneration components

€ thousand	Lars von Lackum CEO	Susanne Schröter-Crossan CFO	Dr Volker Wiegel COO
Fixed remuneration	628	500	433
One-year variable remuneration (STI)	374	325	288
Multi-year variable remuneration	449	445	345
Total remuneration	**1,451**	**1,270**	**1,066**

The maximum total remuneration granted in return for the work of the respective member of the Management Board for one financial year – including basic remuneration, STI, LTI (plus full utilisation of possible adjustments), special remuneration for acquisitions and benefits – is EUR 3,025 thousand for Lars von Lackum, EUR 2,400 thousand for Susanne Schröter-Crossan and EUR 2,120 thousand for Dr Volker Wiegel. If the maximum remuneration for a financial year is exceeded, the payout of the LTI tranches for the corresponding financial year will be reduced.

Fixed remuneration component

The members of the Management Board receive their basic remuneration in twelve equal monthly payments (pro rata temporis). In the event of temporary incapacity, LEG Immobilien AG will pay the remuneration in the same amount for a continuous period of up to six months.

The Management Board receives contractually agreed benefits in addition to basic remuneration. The members of the Management Board receive standard contributions of up to 50% of their private health and long-term care insurance, however, this is limited to the amount that would be owed if the respective member had statutory health insurance.

If members of the Management Board are voluntarily insured under the statutory pension scheme or are members of a professional pension scheme in place of the statutory pension scheme, 50% of the standard contributions to the statutory pension scheme are paid. This regulation also applies to employee-financed pension commitments for which LEG Immobilien AG is the contractual partner. This is capped at an annual payment of EUR 20 thousand for Lars von Lackum and EUR 15 thousand for the other members of the Management Board.

Furthermore, LEG Immobilien AG provides its Management Board members with an appropriate company car for business and private use. All costs of its upkeep and use are paid by the company. In addition, members of the Management Board can use the services of a driver for official journeys.

The monetary value arising from private use is capped at EUR 80 thousand per member of the Management Board. The wage and income taxes on these benefits are paid by the respective member of the Management Board. Members of the Management Board are also reimbursed for expenses and travel expenses.

Furthermore, LEG Immobilien AG has taken out accident insurance for the members of the Management Board which also covers accidents outside work. The payout to the insured party or his heirs amounts to not more than EUR 500 thousand in the event of death and EUR 1 million in the event of invalidity.

D&O insurance has also been taken out for the members of the Management Board. The D&O insurance policies each include a legally permitted deductible of 10 % of the loss, limited to 1.5 times the fixed annual remuneration per calendar year. The appropriateness of the deductible is reviewed annually.

Variable remuneration component with a short-term incentive function (STI)

The basis of calculation for the STI is the attainment of the following four sub-targets defined in the respective consolidated IFRS business plan of the company. The business plan resolved by the Supervisory Board for the respective financial year applies. The benchmarks are based on the forecasts given to the capital market at the beginning of the year. When calculating the target figures, this is neutralised on an ongoing basis by effects from material transactions.

If the Supervisory Board does not resolve a business plan for the respective financial year, the four sub-targets for the purposes of the STI are defined by the Supervisory Board at its discretion (section 315 of the Bürgerliches Gesetzbuch (BGB – German Civil Code)) by reference to the targets for the previous year.

The STI consists of an annual payment measured on the basis of the following four targets:

- net cold rent;
- net rental and lease income;
- adjusted EBITDA;
- funds from operations I per share (weighted average number of shares in the financial year).

The first three targets each account for 20 % and the final target for 40 % of the STI assuming 100 % achievement in each case. The attainment of each individual sub-target is determined independently. However, the sub-targets can offset over- and underperformance amongst themselves. The target STI amount cannot be exceeded overall, even if the targets are outperformed. If the minimum target achievement of the sub-targets are not reached, the level of target attainment is set at zero.

In the event of changes in the basis of consolidation or capital measures during the current financial year, the respective sub-targets set in the business plan must be adjusted by the Supervisory Board. They are adjusted pro rata temporis.

Regarding the calculation of the sub-target funds from operations I per share, an increased number of shares resulting from capital measures for acquisition financing will be considered only after closing of the acquisition, with effect pro rata temporis.

After the end of the financial year, the level of attainment for the sub-targets is determined by the Supervisory Board on the basis of the IFRS consolidated financial statements of the company and internal accounting. The STI is then calculated accordingly.

The calculated STI can be increased or decreased by up to 30 % by way of discretionary decision of the Supervisory Board.

In the event of extraordinary developments, after the end of the respective financial year the Supervisory Board can adjust the calculated levels of attainment and, as appropriate, amend the STI by up to 20 % in either direction at its discretion.

The STI to be calculated and possibly adjusted for the respective financial year is capped at EUR 486 thousand for Lars von Lackum, EUR 423 thousand for Susanne Schröter-Crossan and EUR 374 thousand for Dr Volker Wiegel.

If the above calculation results in the payment of an STI, this must be settled and paid to the respective Management Board member no later than 30 days after the approval of the IFRS consolidated financial statements of the company.

Transaction bonus

There are also provisions in place for special remuneration (a transaction bonus) as an extraordinary remuneration component in the event of exceptional success in connection with the acquisition of property portfolios. This bonus is determined by the scope and success of the transaction.

This kind of extraordinary special remuneration requires residential property acquisitions of at least 7,500 residential units in the financial year in question. The amount of the potential transaction bonus is calculated based on the number of residential units acquired within one financial year. For a detailed description, see the > section Management Board remuneration system from 1 January 2021.

Under a Supervisory Board resolution dated 23 January 2020, the transaction bonus applied to existing Management Board agreements already in the 2020 financial year.

Variable remuneration component with a long-term incentive function (LTI)

In addition to an STI, the members of the Management Board are entitled to an LTI based on the company's long-term development. The four-year LTI is newly awarded for each financial year and is spread over three performance periods of two or three years. The key performance targets for the LTI are:

- average development of total shareholder return;
- development of the company's share price compared to the relevant index, EPRA Germany.

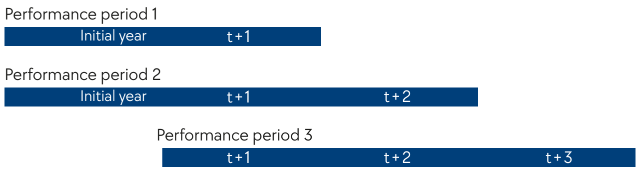
The target LTI is spread over the following three performance periods in three equal tranches:

- Performance period I: From the (proportionate) financial year in which the LTI is awarded (relevant financial year) up until the end of the first financial year following the relevant financial year
- Performance period II: From the relevant financial year up until the end of the second financial year following the relevant financial year
- Performance period III: From the financial year following the relevant financial year up until the end of the third financial year following the relevant financial year

Visually, the performance periods are distributed as follows:

G12

Performance periods



Initial year = relevant financial year

To determine the level of average target attainment for the “Total shareholder return” performance target, the total shareholder return for the performance period must be determined on the basis of objectively determined and publicly accessible figures. If there are no objectively determined and publicly accessible figures available for this performance period, then the total shareholder return is calculated on the basis of the weighted average official determination of the company’s share price over the last 30 trading days before the start of the respective performance period and its weighted official determination on the last 30 trading days of the performance period.

The deviation of the share price performance compared to the development of the EPRA Germany index in the respective performance period is used to determine the level of target achievement for the “Share performance vs. index” performance target. For this purpose, in relation to the respective performance period the value for the development of EPRA Germany between its official determination on the last trading day before the start of the respective performance period and its official determination on the last trading day of the performance period in percent is calculated (“EPRA Germany performance”) (comparative figure). The share performance results from the average performance of the share in the performance period. To determine the initial figure, the average weighted officially determined share price of the company for the last ten trading days of all calendar quarters in the financial year before the start of the performance period is established. The resulting figure is compared against the final figure. To determine the final figure, the average weighted officially determined share price of the company for the last ten trading days of all calendar quarters in the last financial year of the performance period is established.

The target LTI and the individual tranches are not increased in the event of target attainment in excess of 100 %. Each tranche is separated into two equal amounts. One of the two performance targets is allocated to each of these amounts.

After the end of each performance period, the level of target attainment for the two performance targets during the respective performance period is determined by the Supervisory Board following the approval of the consolidated financial statements for the last financial year and the resulting amounts for the tranche are calculated. Target attainment is determined separately for each performance target and each tranche. However, netting may be performed within a tranche – providing this is mathematically possible – with the shortfall for one performance target being offset by the excess for the other performance target. There is no netting beyond the individual tranches. The amount paid for each tranche is determined on the basis of the level of target attainment for both performance targets by adding the respective amounts thus calculated. However, the total amount for each tranche cannot exceed a third of the target LTI, even if the overall level of target attainment for both performance targets is in excess of 100 %.

In the event of extraordinary developments, after the end of the respective performance period the Supervisory Board can adjust the calculated levels of attainment by up to 20 % at its discretion. As a result, the amount allotted to each tranche can be undershot by one third of the target LTI.

The LTI calculated and possibly adjusted for the performance period is capped at EUR 150 thousand for Lars von Lackum, EUR 148 thousand for Susanne Schröter-Crossan and EUR 115 thousand for Dr Volker Wiegel. The total LTI available for a financial year is capped at EUR 449 thousand for Lars von Lackum, EUR 445 thousand for Susanne Schröter-Crossan and EUR 345 thousand for Dr Volker Wiegel.

The resulting gross amount for a tranche must be settled and paid to the respective Management Board member no later than 30 days after the approval of the IFRS financial statements for the last financial year in the performance period.

At the start of each relevant financial year, the Supervisory Board and the Management Board member conclude an LTI target agreement, which contains the specifications for the two performance targets for each tranche based on the relevant performance period. If no agreement is reached, these components are set by the Supervisory Board at its discretion (section 315 BGB) by reference to the targets for the previous year.

In the event of a legal end to the engagement of a Management Board member, the company can settle the tranches that will become due at a later date early. In such event the Supervisory Board and the respective member of the Management Board can mutually agree a notional target attainment rather than calculating actual target attainment. The amount of a tranche calculated based on this notional target attainment can then be reduced by 30 %. At its own discretion, the Supervisory Board can dispense with the deduction in full or in part.

The following specific targets apply to the 2019 and 2020 LTI programmes (target corridors apply to resolved LTIs):

T36

Target corridor LTI

in %	Degree of target attainment 80	100	120 (Maximum)
Total Shareholder Return Ø p. a.	5.6	7.0	8.4
Performance against EPRA	**90**	**100**	**110**

By way of Supervisory Board resolution dated 15 December 2020, the 2021 LTI programme was granted for Lars von Lackum, Susanne Schröter-Crossan and Dr Volker Wiegel (grant date). The LTI programme is based on the guidelines for the new Management Board remuneration system. Please see the next section for a detailed description of the new remuneration system that comes into effect from 1 January 2021.

The following specific targets apply to the four-year performance period from 2021 to 2024 for the 2021 LTI programme:

T37

Target corridor LTI

in %	Degree of target attainment 0	100	200 (Maximum)
Total Shareholder Return Ø p. a.	5.6	7.0	8.4
Performance against EPRA	**≤80**	**100**	**120**

The following ESG targets apply to the LTI performance period from 2021 to 2024:

T38

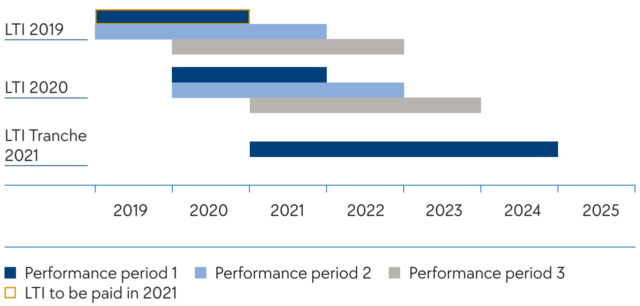
ESG targets LTI

Environmental	Social
Target: In the next four years, reduce adjusted CO_2 emissions in kg / m2 of property included in the annual report as at 31 December 2019 compared to the basis year 2019.	**Target:** "Trust Index" measurement for the LEG Group, which is calculated as part of the "Great Place to Work" employee survey conducted every two years. This is based on the change in the average of the two measurements during the four-year LTI period in comparison to the measurement calculated in the 2020 survey.
Targets: 0 % minimum value: –6 % 100 % target attainment: –10 % 200 % maximum value: –14 %	**Targets:** 0 % minimum value: 60 % 100 % target attainment: 66 % 200 % maximum value: 72 %

The following LTI programmes are outstanding or are to be paid out in 2021:

G13

Performance periods LTI



LTI to be paid out 2021

LTI 2019/performance period 1:
Values for the performance indicator **total shareholder return** for the performance period 1 of the LTI granted in 2019, which will be paid out in 2021, were as follows:

T39

Target attainment Total Shareholder Return

in %	2019	2020
Total Shareholder Return Ø p. a.	7.78	20.83
Total Shareholder Return Performancezeitraum 2 Ø p. a.		**14.31**

At 14.31 % p. a., average total shareholder return was thus higher than the target of 7.0 % p. a. needed to meet this sub-target in full.

Performance against the EPRA index in the period under review from 2019 to 2020 was as follows:

T40

Target attainment EPRA index

in %	2020
Performance against EPRA	104.22

The target of a better share price performance compared with the EPRA Germany index was therefore also met here. Overall, therefore, the target achievement for the 1st tranche was 100 %.

Total remuneration of the Management Board in 2020

The annual benefits granted to the Management Board in accordance with the German Corporate Governance Code are as follows for the 2020 financial year:

T41

Remuneration and benefits earned

	Lars von Lackum CEO				Susanne Schröter-Crossan[1] CFO				Dr Volker Wiegel COO			
€ thousand	**2020**	2020 min.	2020 max.	2019	**2020**	2020 min.	2020 max.	2019	**2020**	2020 min.	2020 max.	2019
Fixed remuneration	628	628	628	561	500	500	500	0	433	433	433	433
Additional benefits	33	33	33	41	27	27	27	0	33	33	33	24
Total fixed remuneration components	**661**	**661**	**661**	**602**	**527**	**527**	**527**	**0**	**466**	**466**	**466**	**457**
One-year variable remuneration (STI)	374	0	486	348	325	0	423	0	288	0	374	288
Transaction bonus 2020[5]	97	97	97	0	34	34	34	0	67	67	67	0
Total multi-year variable remuneration (LTI)	235	0	449	204	220	0	445	0	181	0	345	155
LTI 2019 (until 2022)	0	0	0	204	0	0	0	0	0	0	0	155[4]
LTI 2020 (until 2023)	235	0	449	0	220	0	445	0	181	0	345	0
Transaction bonus (deferral) 2022–2021	194	0	194	0	67	0	67	0	134	0	134	0
Total variable remuneration components	**900**	**97**	**1,227**	**552**	**646**	**34**	**968**	**0**	**669**	**67**	**920**	**443**
Total fixed and variable remuneration components	**1,561**	**758**	**1,887**	**1,154**	**1,172**	**560**	**1,495**	**0**	**1,135**	**533**	**1,386**	**900**
Pension costs	**108**	**108**	**108**	**107**	**50**	**50**	**50**	**0**	**0**	**0**	**0**	**0**
Total remuneration	**1,669**	**865**	**1,995**	**1,261**	**1,222**	**610**	**1,545**	**0**	**1,135**	**533**	**1,386**	**900**

[1] Start of Management Board function as at 1 January 2019.
[2] Start of Management Board function as at 1 July 2020.
[3] Start of Management Board function as at 1 June 2019.
[4] Adjustment compared to previous year.
[5] Amount resolved by Supervisory Board resolution.

On the basis of the assessment of the attainment of performance hurdles, as at 31 December 2020 staff costs for the LTI programmes of EUR 787 thousand (2019: EUR 122 thousand) were recognized in line with IFRS and HGB. In accordance with IFRS and HGB, EUR 415 thousand of this related to Lars von Lackum (2019: EUR 110 thousand), EUR 69 thousand to Susanne Schröter-Crossan (2019: EUR 0 thousand) and EUR 303 thousand to Dr Volker Wiegel (2019: EUR 12 thousand). The 2019 figures relate to the active members of the Executive Board in 2020.

The amounts paid to the members of the Management Board in line with the German Corporate Governance Code were:

T42

Remuneration and benefits paid

	Lars von Lackum CEO		Susanne Schröter-Crossan[1] CFO		Dr Volker Wiegel COO	
€ thousand	**2020**	2019	**2020**	2019	**2020**	2019
Fixed remuneration	628	561	250	0	433	253
Additional benefits	33	41	13	0	33	14
Total fixed remuneration components	661	**602**	**263**	**0**	**466**	**267**
One-year variable remuneration (STI)	387	0	0	0	188	0
Multi-year variable remuneration (LTI)	0	0	0	0	0	0
LTI 2019 (until 2021)	0	0	0	0	0	0
Total variable remuneration components	**387**	**0**	**0**	**0**	**188**	**0**
Total fixed and variable remuneration components	**1,048**	**602**	**263**	**0**	**654**	**267**
Pension costs	108	107	0	0	0	0
Total remuneration	**1,156**	**709**	**263**	**0**	**654**	**267**

[1] Start of Management Board function as at 1 July 2020

The total remuneration of the Management Board in 2020 in accordance with the German Commercial Code:

As at 31 December 2020 (31 December 2019), Lars von Lackum owned 2,060 (1,000) shares and Dr Volker Wiegel held 400 (0) shares in LEG Immobilien AG.

No loans or advances were granted or extended to the members of the Management Board in the 2020 financial year.

T43

Total remuneration

	Lars von Lackum CEO		Susanne Schröter-Crossan[2] CFO		Dr Volker Wiegel COO		Total	
€ thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Fixed remuneration	628	561	250	0	433	253	1,311	814
Additional benefits	33	41	13	0	33	14	79	55
Total fixed remuneration components	**661**	**602**	**263**	**0**	**466**	**267**	**1,390**	**869**
One-year variable remuneration (STI)	444	387	193	0	342	188	979	575
Transaction bonus 2020	97	0	34	0	67	0	198	0
Multi-year variable remuneration (LTI)[1]	504	439	374	0	374	181	1,252	620
Total variable remuneration components	**1,045**	**826**	**601**	**0**	**783**	**368**	**2,429**	**1,195**
Total remuneration	**1,706**	**1,428**	**865**	**0**	**1,248**	**635**	**3,819**	**2,064**

[1] Includes LTI tranche 2021 for 2021–2024
[2] Start of Management Board function as at 1 July 2020

Retirement benefits

Company pension scheme

Lars von Lackum has a vested occupational pension via a provident fund that was assumed by LEG Immobilien AG. Gross annual premiums of EUR 100,000 are paid. The benefits will be paid in 2042 as a one-time, lump-sum payment of EUR 2,325,000.

Furthermore, Lars von Lackum was granted an employer-financed pension commitment via a provident fund by way of a defined contribution plan. The additional payments by LEG Immobilien AG are limited to a maximum of 50 % of the standard contributions to the statutory pension scheme. Gross annual premiums of EUR 7,700.40 Euro were paid. In case of death, the provident fund will make a one-time, lump-sum capital payment to the respective dependents. When Lars von Lackum reaches retirement age in 2042, the payments will take the form of a non-contributory monthly pension or a one-time, lump-sum payment of EUR 178,812.

Susanne Schöter-Crossan has a vested entitlement to benefits under the company pension scheme via a provident fund underwritten by LEG Immobilien AG. Annual contributions amounting to EUR 50,000 gross are made. For 2020, EUR 25,000 will be paid on a pro rata basis due to Ms. Susanne Schöter-Crossan joining the company during the year.

No provisions were recognized for Lars von Lackum and Dr Volker Wiegel as at 31 December 2020. A provision of EUR 25,000 exists for Susanne Schöter-Crossan.

Early termination benefits

Severance pay

In the event of the early termination of the activity of a member of the Management Board, the payments made to the respective member, including additional benefits, may not exceed the value of two years' remuneration ("severance cap") or the value of the remuneration payable for the remaining term of this employment agreement. The settlement cap is based on the total remuneration for the past financial year and, where applicable, the anticipated total remuneration for the current financial year.

In the event of the early termination of this agreement for cause falling within the responsibility of the Management Board member, the member will not be entitled to receive any payments.

Change of control

In the event of a change of control of the company, the members of the Management Board have the right to resign as a member of the Management Board for cause, and to terminate their Management Board contract, within a period of six months from the date of the change of control, observing a notice period of three months to the end of a month (special right of termination).

The severance regulations that apply in the event of the special right of termination being exercised stipulate that payments in connection with the cessation of work as a member of the Management Board due to a change of control amount to two years' remuneration, albeit capped at the value of the remuneration for the remaining term of the member's contract.

Death benefits

If a Management Board member dies during the term of the employment agreement, the remuneration plus STI and LTI (including deferred tranches) will be settled up until the end of the agreement as a result of the member's death and paid out to the member's heirs in accordance with the provisions of the agreement. Furthermore, the member's widow and any children under 25, as joint beneficiaries, will be entitled to the full payment of the remuneration set out in section 2(1) of the employment agreement for the remainder of the month in which the member dies and the subsequent three months. However, this is limited to the scheduled termination of the employment agreement if the member had not died.

Management Board remuneration system from 1 January 2021

The Annual General Meeting of LEG Immobilien AG approved the remuneration system for members of the Management Board presented by the Supervisory Board on 19 August 2020. The Management Board remuneration system comprises a fixed remuneration component, a short-term incentive (STI), a long-term incentive (LTI) and various additional benefits. The new remuneration system is effective for Management Board agreements concluded from 1 January 2021 onwards.

Overview of the new remuneration system for the LEG Immobilien AG Management Board:

G14

Remuneration system

FIXED REMUNERATION COMPONENT	BASIC REMUNERATION		· Fixed contractually agreed remuneration payable in twelve equal instalments
	FRINGE BENEFITS		· Essentially company car for business and private use, for business trips the services of a driver can be used, various insurance elements
	PENSION ENTITLEMENT		· Receipt of a fixed amount, specified in the respective employment contract, into a reinsured support fund
VARIABLE REMUNERATION COMPONENT	SHORT-TERM VARIABLE REMUNERATION COMPONENT (STI)	Plan type	· Tantieme
		Restriction / cap	· 200 % of the target amount
		Performance criteria	· 40 %: Result from renting & leasing · 40 %: Funds from operations I · 20 %: ESG-targets · Criteria-based adjustment factor (0,8 – 1,2) to assess the individual and collective performance of the Management Board as well as extraordinary developments
		Payout	· After the end of the respective financial year
	LONG-TERM VARIABLE REMUNERATION COMPONENT (LTI)	Plan type	· Performance cash plan
		Restriction / cap	· 200 % of the target amount
		Performance criteria	· 40 %: Development of the absolute total shareholder return – TSR · 40 %: Share price development compared to the EPRA Germany Index · 20 %: ESG-targets
		Term of a performance period	· Four years
		Payout	· After the four-year performance period
TRANSACTION BONUS		Restriction / cap	· EUR 1.256.000 (Chairman of the Board) · EUR 866.000 (Full members of the Board)
		Performance citerion	· Acquisition of a significant property portfolio: · Threshold value: 7,500 residential units p. a. · Maximum value: 30,000 residential units p. a.
		Payout (with Deferral)	· 33 % after the end of the respective financial year · 67 % after a further wo financial years depending on the achievement of a business plan (50 % FFO I, 50 % result from renting & leasing)
MALUS/CLAWBACK			· Partial or complete reduction or reclaim of variable remuneration possible
SHARE RETENTION OBLIGATION			· Obligation to purchase LEG shares equivalent to a gross basic salary within four years · Obligation to hold the acquired shares for the duration of the Management Board activity
MAXIMUM REMUNERATION			· Chairman of the Board: EUR 4,300,000 · Full members of the Board: EUR 2,900,000

Fixed remuneration components
As previously, the fixed remuneration components comprise basic remuneration, additional benefits and an occupational pension commitment.

The variable remuneration component includes a short-term short-term incentive (STI) and a long-term incentive (LTI).

Short-term incentive (STI)
The STI is determined on the basis of the following financial and non-financial performance targets:

- net rental and lease income;
- funds from operations I (FFO I),
- non-financial environmental, social and governance targets (ESG targets).

By and large, targets that take account of environmental, social and governance aspects are incorporated into the ESG targets. These individual targets are taken from LEG's Corporate Social Responsibility (CSR) report and from strategic projects. The targets are assigned quantitative or qualitative criteria so that a comparison of target and actual performance can be carried out at the end of the financial year to measure target attainment. As for the financial performance criteria, target attainment for the ESG targets is capped at a total of 200 %. The specific ESG targets for the respective financial year are set and finalised by the Supervisory Board before the start of this financial year.

The first two targets each account for 40 % and the final target for 20 % of the STI assuming 100 % achievement in each case.

The STI also has a criteria-based adjustment factor with a range of 0.8 to 1.2. The amount paid out for the STI is capped at 200 % of the target amount.

Long-term incentive (LTI)
In addition to an STI, the members of the Management Board are entitled to an LTI based on the company's long-term development. This LTI is newly awarded for each financial year and is spread over a four-year performance period.

The LTI is determined on the basis of the following financial and non-financial performance targets:

- development of total shareholder return;
- development of the company's share price compared to the relevant index, EPRA Germany,
- non-financial environmental, social and governance targets (ESG targets).

As for the STI, specific ESG targets are set for the respective tranche.

The first two targets each account for 40 % and the final target for 20 % of the LTI assuming 100 % achievement in each case.

The financial performance indicators used for the LTI are the development of absolute TSR and LEG's share price performance in comparison to that of the EPRA Germany Index. Both are weighted at 40 %. These performance indicators are therefore geared towards boosting value for shareholders and create incentives to generate shareholder value. This, in turn, aligns the interests of the Management Board even more closely with those of shareholders.

Absolute TSR essentially describes changes in LEG's share price for the performance periods, including dividends per share paid in this period. To prevent distortions resulting from individual prices, absolute TSR is calculated based on the company's average volume-weighted closing price for the last 30 trading days before the start of the performance period and the volume-weighted closing price on the last 30 trading days of the performance period plus dividends actually paid during the performance period.

Target attainment is 100 % if absolute TSR for the LEG share is within 0 percentage points of the target determined for the tranche in question. If absolute TSR is 10 percentage points or more below target, target attainment is 0 %. Target attainment is 200 % if absolute TSR is 10 percentage points above target. TSR higher than this does not increase target attainment. Target attainments between the defined target attainment points are calculated by linear interpolation.

To determine target attainment for the performance target "relative share price performance", the share price performance of the LEG share in percent in the respective performance period is compared against the percentage change in the EPRA Germany Index. The EPRA Germany Index comprises LEG's key national listed competitors and is thus a suitable peer group. For this, the deviation of the share price performance during the performance period is calculated. For this purpose, in relation to the respective performance period, the value for the development of the LEG share and of EPRA Germany Index between the closing price of the last 30 trading days at the start of the respective performance period and the closing price at the end of the performance period are first calculated as a percentage. The closing price is a volume-weighted average of the last 30 trading days of the performance period in order to avoid one-off effects. The performance of the EPRA Germany Index is subtracted from the performance of the LEG share.

If the subtraction gives a result of 0, target attainment is 100 %. If the performance of the LEG share is at least 20 percentage points lower than the EPRA Germany Index performance, target attainment is 0 %. Target attainment is 200 % if the LEG share performance is 20 percentage points higher than that of the EPRA Germany Index. Target attainment does not increase if the LEG share performance is higher than this. Target attainments between the defined target attainment points are calculated by linear interpolation. The amount paid out for the LTI is capped at 200 % of the target amount.

Transaction bonus

There are also provisions in place for special remuneration (a transaction bonus) as an extraordinary remuneration component in the event of exceptional success in connection with the acquisition of property portfolios. This bonus is determined by the scope and success of the transaction.

This kind of extraordinary special remuneration requires residential property acquisitions of at least 7,500 residential units in the financial year in question. The amount of the potential transaction bonus is calculated based on the number of residential units acquired within one financial year. A minimum threshold of 7,500 residential units p. a. and a cap of 30,000 p. a. residential units apply. The sum payable if the minimum threshold is achieved is EUR 100,000 for the CEO and EUR 68,950 for an ordinary member of the Management Board. The maximum sum payable if the cap is achieved or exceeded is EUR 1,256,000 for the CEO and EUR 866,000 for an ordinary member of the Management Board limited. Acquisitions that fall between the minimum threshold and the cap are calculated by linear interpolation.

A partial amount of one third of the special remuneration payable as calculated by the Supervisory Board must be paid to the Management Board member no later than 30 days after the approval of the company's consolidated financial statements for the year in which the remuneration is granted.

To ensure that the transaction-based special remuneration continues to create long-term and sustainable incentives, the payment of two thirds of the transaction bonus is deferred and, depending on the achievement of two sub-targets set out in the business plan (50 % funds from operations I and 50 % net rental and lease income), is paid in the third financial year after the transaction closed. The sum is paid in full only if the business plan is achieved in full.

Under a Supervisory Board resolution dated 23 January 2020, the transaction bonus applied to existing Management Board agreements in the 2020 financial year.

Malus and clawback provisions for variable remuneration

The Supervisory Board can withhold (malus) or recover (clawback) variable remuneration components. If a member of the Management Board seriously breaches legal obligations, obligations under employment contracts or internal company codes of conduct (compliance violation) as a result of gross negligence, the Supervisory Board is entitled to reduce,in part or in full, variable remuneration that has not yet been paid at its discretion. In addition, at its discretion the Supervisory Board can recover, in part or in full, the gross amount of variable remuneration that has already been paid.

The Supervisory Board can also recover variable remuneration that has already been paid, in part or in full, if it emerges after this remuneration has been paid that the consolidated financial statements audited by the auditor and approved by the Supervisory Board and that were used to calculate the payment amount were incorrect and if the corrected consolidated financial statements would have resulted in lower payable variable remuneration or none at all. This is not dependent on the members of the Management Board being responsible for this.

Remuneration cannot be recovered on the basis of clawback provisions if payment was made more than two years prior. This does not affect statutory repayment options, such as asserting damages, which continue to apply.

Share ownership guidelines

Within a four-year establishment phase, all members of the Management Board must acquire LEG shares equal to one gross annual salary and hold these shares for the entire duration of their Management Board agreements. Shares already held by a member of the Management Board are taken into account.

Maximum remuneration

Effective 1 January 2021, the sum of all remuneration components (basic remuneration, additional benefits, pension commitment, STI, LTI and transaction bonus) is capped at EUR 4,300,000 for the CEO and EUR 2,900,000 for each ordinary member of the Management Board.

Remuneration system of the Supervisory Board

The Annual General Meeting on 19 August 2020 resolved to increase the number of Supervisory Board members from six to seven. The amendment to section 8.1 of the Articles of Association of LEG Immobilien AG to expand the Supervisory Board was entered in the commercial register on 6 October 2020.

The Annual General Meeting on 19 August 2020 appointed Martin Wiesmann a member of the LEG Supervisory Board on 7 October 2020.

On 18 September 2015, the Supervisory Board resolved a time limit for membership of 15 years (first-time appointment plus two re-elections).

In accordance with the Articles of Association, all remuneration for Supervisory Board work is payable after the end of the financial year. Supervisory Board members who are only on the Supervisory Board or a committee of the Supervisory Board for part of the financial year receive corresponding remuneration on a pro rata basis for this financial year.

The following regulation has applied to Supervisory Board remuneration in accordance with Article 8.10 of the Articles of Association of LEG Immobilien AG since the Annual General Meeting on 17 May 2018: The members of the Supervisory Board receive fixed annual remuneration of EUR 72 thousand. The chairperson of the Supervisory Board receives 2.5 times this amount, the deputy chairperson receives 1.25 times this amount. Members of a Supervisory

Board committee receive additional fixed annual remuneration of EUR 20 thousand; the chairperson of the committee receives double this amount. No additional remuneration is paid to the members or chairperson of the Nomination Committee. Each member receives an additional attendance fee of EUR 2 thousand for each Supervisory Board or committee meeting held in person.

Members of the Supervisory Board are also reimbursed for appropriate expenses and travel expenses. VAT is reimbursed by the company to the extent that the members of the Supervisory Board are entitled to invoice VAT to the company separately and that they exercise this right.

The company had also concluded D&O insurance for the members of the Supervisory Board with an appropriate insured amount and deductible for members of the Supervisory Board. Since 1 January 2014, the D&O insurance has provided for a deductible of 10 % of the individual claim amount to be paid by the Supervisory Board members up to a maximum of 1.5 times their fixed annual remuneration for all claims within a year.

The total remuneration of members of the Supervisory Board of LEG Immobilien AG in accordance with IFRS and HGB amounted to EUR 0.8 million in 2020 (2019: EUR 0.8 million).

No loans or advances were granted or extended to the members of the Supervisory Board in the 2020 financial year.

Natalie Hayday resigned from the Supervisory Board with effect from the end of 6 January 2021.

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Breakdown of Supervisory Board remuneration – Remuneration paid or to be paid to the members of the Supervisory Board for the 2020 financial year

in €	Supervisory Board		Audit Committee		Executive Committee		Nomination Committee	**Total per member**
Name of member	Remuneration	Attendance Fee	Remuneration	Attendance Fee	Remuneration	Attendance Fee		**2020 (net)**
Michael Zimmer	180,000 Remuneration	4,000			40,000 Remuneration	2,000	0 Remuneration	**226,000**
Stefan Jütte	90,000 Deputy Chairman	4,000	40,000 Remuneration	6,000	20,000 Deputy Chairman	2,000	0 Deputy Chairman	**162,000**
Dr Johannes Ludewig	72,000 Member	4,000			20,000	2,000	0	**98,000**
Dr Jochen Scharpe	72,000 Member	6,000	20,000 Deputy Chairman	6,000	0 Substitute member	0	0	**104,000**
Natalie Hayday	72,000 Member	4,000	20,000 Member	4,000				**100,000**
Dr Claus Nolting	72,000 Member	2,000						**74,000**
Martin Wiesmann	16,800 Member	0						**16,800**
Total	**574,800**	**24,000**	**80,000**	**16,000**	**80,000**	**6,000**		**780,800**

Note: Due to the Covid 19 pandemic, the meetings have mainly taken place via telephone conferences.

Corporate governance declaration in accordance with sections 289f and 315d HGB

In this corporate governance declaration in accordance with section 289f HGB and section 315d HGB, LEG Immobilien AG reports on the principles of corporate governance and corporate governance at the company. This declaration includes (i) the declaration of compliance in accordance with section 161(1) of the German Stock Corporation Act (AktG), (ii) relevant information on corporate governance practices exceeding statutory requirements, (iii) a description of the working methods of the Management Board and the Supervisory Board plus the composition and working methods of their committees, (iv) targets for the participation of women in managerial positions and (v) a description of the diversity concept for the Supervisory Board and Management Board.

Declaration of Compliance in accordance with section 161(1) AktG

The Management Board and Supervisory Board of LEG Immobilien AG approved the following declaration pursuant to section 161 AktG in November 2020:

1. The Management Board and Supervisory Board of LEG Immobilien AG (the „Company") hereby declare in accordance with section 161 of the German Stock Corporation Act (AktG) that the Company has complied with all the recommendations of the German Corporate Governance Code as of 16 December 2019 ("code 2020") published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on 20 March 2020 since the entry into force of the code 2020 and that it will continue to do so in future.
2. The Management Board and Supervisory Board of LEG Immobilien AG hereby further declare that the Company complied with all the recommendations of the German Corporate Governance Code as of 7 February 2017 published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on 24 April 2017 during the period from submitting the Company's last declaration of conformity in November 2019 until the entry into force of the code 2020 on 20 March 2020.

Dusseldorf, November 2020

The Management Board of LEG Immobilien AG
The Supervisory Board of LEG Immobilien AG

LEG Immobilien AG's current and former declarations of compliance can be accessed on the Company's website at www.leg.ag.

Relevant disclosures on Corporate Governance Practices exceeding Statutory Requirements

Compliance and value management

LEG Immobilien AG is geared towards sustainable, successful portfolio management and growth. The foundation for sustainable management is lawful, responsible and honest conduct. LEG Immobilien AG's objective and strategy, as well as its values that are essential for working with customers, employees, investors, business partners and society, are set out in LEG Immobilien AG's declaration of fundamental values. These values include integrity and fairness, commitment and professionalism, confidentiality, transparency and sustainability.

The LEG Immobilien AG Code of Conduct describes the guiding principle in more detail and puts the values set out here into practice for every-day business by way of standards of conduct for employees and executives. Details on these standards of conduct can be found in internal Group rules and guidelines.

Executives and employees are made aware of these issues and advised on them in regular training sessions and through advisory services. A whistle-blower system gives employees and third parties the opportunity to give notices on compliance violations in a protected environment.

Details on LEG Immobilien AG's compliance management system can be found in the Risks, Opportunities and Forecast Report starting on > page 62 of this annual report.

Responsibility and sustainability

LEG Immobilien AG aims to act sustainably and responsibly. An understanding of sustainability and a sustainability strategy are outlined in its sustainability model.

At the heart of LEG Immobilien AG's sustainability strategy are the key areas of business, tenants, employees, the environment and society, which cover the three dimensions of sustainability – environmental, social and economics. Each year, LEG Immobilien AG sets specific targets for all three dimensions that contribute to the implementation of the sustainability strategy and that are tracked and reviewed on an ongoing basis. In addition, sustainability targets will be part of variable Management Board remuneration effective 2021. A sustainability group was set up as a committee for strategic decisions and to pool activities, comprising heads of central areas and operations managers.

LEG Immobilien AG's sustainability efforts in the 2020 reporting year focussed heavily on social activities to mitigate the social repercussions of the pandemic. The company established ten points to safeguard and protect customers and employees. For example, the company offered tenants rent deferrals and instalment payment options that went above and beyond legal initiatives, suspended terminations, supported initiatives to accommodate the homeless and granted its employees additional childcare hours and a corona bonus. Despite restrictions on account of Covid-19, LEG also continued its long-standing investment program aimed at increasing environmental protection in its portfolio as planned.

LEG Immobilien AG's sustainability report provides annual reporting on sustainability management and on targets, measures, activities and progress in this area. The sustainability report is available on LEG Immobilien AG's website at www.leg.ag.

Other corporate governance disclosures

Suggestions of the German Corporate Governance Code

LEG Immobilien AG goes beyond simply complying with all recommendations of the Code. It also complies with the suggestions of the Code, which can be deviated from without disclosure in the declaration of compliance, with the following exceptions:

In accordance with suggestion A 5, in the event of a takeover bid, the Management Board should convene an extraordinary general meeting at which shareholders discuss the takeover bid and possibly decide on corporate action. It is questionable as to whether the organisational effort of convening a general meeting would be justified if no corporate action was to be resolved. Accordingly, the Management Board reserves the right to convene an extraordinary general meeting only if a resolution is required.

Corporate Governance Code of the German Real Estate Industry Association

LEG Immobilien AG is a member of the Corporate Governance Institute of the German Real Estate Industry Association (ICG). At www.icg-institut.de, the ICG has created and published a "Corporate Governance Code of the German Real Estate Industry" (as at October 2020, "ICGK"), which supplements the German Corporate Governance Code with industry-specific recommendations and is intended to bring about greater transparency, an improved reputation and stronger competitiveness of the property sector. The Supervisory Board and the Management Board of LEG Immobilien AG are committed to the key goals and principles of the ICG.

The ICG developed a certification system for compliance management systems at property companies. LEG had its compliance management system certified using this system in 2019.

Description of the working methods of the Management Board and the Supervisory Board and the composition and working methods of their committees

As a stock corporation under German law, LEG Immobilien AG has a dual management system consisting of the Management Board and the Supervisory Board. Executive management and control are clearly separated in a dual management system.

The Management Board

As per section 5.1 of the Articles of Association, the Management Board of LEG Immobilien AG comprises at least two members. As at 31 December 2020, there were three people on the Management Board. The Management Board manages LEG Immobilien AG on its own responsibility in accordance with the provisions of law, the Articles of Association and the Rules of Procedure for the Management Board. The Rules of Procedure for the Management Board were most recently amended by the Supervisory Board on 5 March 2020. Among other things, these stipulate that certain transactions of particular significance require the prior approval of the Supervisory Board or one of its committees. The Management Board reports to the Supervisory Board regularly, comprehensively and in a timely manner on all issues of strategy, planning, business performance, the risk situation, risk management and compliance relevant to the company. The Management Board performs its management duties as a collective body. Regardless of their overall responsibility, the individual members of the Management Board manage the departments assigned to them in the context of Management Board resolutions on their own responsibility. The allocation of duties among the members of the Management Board is based on the assignment plan.

Supervisory Board

The Supervisory Board has seven members according to the statutes and monitors and advises the Management Board. It appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning. Its duties and rights are determined by the legal provisions, the Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board most recently amended the Rules of Procedure at its ordinary meeting on 25 March 2014. The Supervisory Board regularly reviews the efficiency of its work, most recently in 2019. The review was performed in the form of a self-evaluation using an anonymous questionnaire that is drawn up externally.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work together closely for the good of the company. The intensive and constant dialogue between the bodies is the basis for efficient and targeted business management. The Management Board develops the strategic orientation of LEG Immobilien AG, coordinates this with the Supervisory Board and ensures its implementation. The Management Board discusses the status of the strategy implementation with the Supervisory Board at regular intervals.

The Chairman of the Supervisory Board maintains regular contact with the Management Board, particularly with the Chairman of the Management Board, and advises on issues of strategy, planning, business performance, the risk situation, risk management and compliance at the company. He is immediately informed by the Chairman of the Management Board of key events significant to the assessment of the position and development of the company and Group companies and their management. He then reports to the Executive Committee or the Supervisory Board and convenes extraordinary meetings if necessary.

Committees of the Supervisory Board

The Supervisory Board had three committees in the 2020 financial year: the Executive Committee, the Nomination Committee and the Audit Committee. Further committees can be formed if required.

Executive Committee of the Supervisory Board

The Executive Committee discusses key issues and prepares resolutions by the Supervisory Board. In particular, the Executive Committee discusses resolutions by the Supervisory Board on the following matters:

- The appointment and dismissal of members of the Management Board, the appointment of the Chairman of the Management Board;
- The conclusion, amendment and termination of employment agreements with members of the Management Board;
- The structure of the remuneration system for the Management Board, including the key contract elements and the total compensation paid to the individual members of the Management Board; and
- The acquisition of property portfolios.

The Executive Committee regularly discusses long-term succession planning for the Management Board with the involvement of the Management Board. In place of the Supervisory Board but subject to the above and other mandatory responsibilities of the Supervisory Board, the Executive Committee passes resolutions on the following matters:

- Transactions with members of the Management Board in accordance with section 112 AktG;
- Approval of transactions with a value in excess of EUR 25,000 between the company or one of its Group companies on the one hand and a member of the Management Board or persons or undertakings related to a member of the Management Board on the other;
- Consent to other activities by a member of the Management Board in accordance with section 88 AktG and approval of other additional employment, in particular holding supervisory board mandates and mandates in similar executives bodies of companies outside the Group;
- Granting loans to the persons named under sections 89, 115 AktG;
- Approval of contracts with Supervisory Board members in accordance with section 114 AktG;
- Any other approval required in accordance with the Articles of Association of the company or the Rules of Procedure for the Management Board for measures by the Management Board if the matter cannot be delayed and a resolution by the Supervisory Board cannot be passed in a timely manner.

The members of the Executive Committee are Mr Michael Zimmer, Mr Stefan Jütte and Dr Johannes Ludewig. As the Chairman of the Supervisory Board, Mr Michael Zimmer is also the Chairman of the Executive Committee. Dr Jochen Scharpe has been elected deputy member (in the case of absence).

Nomination Committee

The Nomination Committee meets as required and suggests suitable candidates to the Supervisory Board for its nominations for the Annual General Meeting. The members of the Nomination Committee are the members of the Executive Committee (Mr Michael Zimmer, Mr Stefan Jütte, Dr Johannes Ludewig). As per the Articles of Association, the Chairman of the Supervisory Board is also the Chairman of the Nomination Committee.

Audit Committee

In particular, the Audit Committee deals with the monitoring of the accounting process, the effectiveness of the internal control system and the internal audit system, the audit of the financial statements – in particular the independence of the auditor, the other services performed by the auditor, the granting of the audit mandate to the auditor, the determination of the key areas of the audit, the fee agreement and compliance. The Audit Committee also deals with the non-financial declaration or the non-financial report in accordance with section 315b HGB in connection with section 289b HGB. The Audit Committee prepares the resolutions by the Supervisory Board on the annual financial statements (and the consolidated financial statements where applicable) and the agreements with the auditor (in particular, the granting of the audit mandate to the auditor, the determination of the key areas of the audit and the fee agreement). The Audit Committee takes appropriate measures to determine and monitor the independence of the auditor. Thus, the Audit Committee released a white list of a limited number of non-audit services that can be provided by the auditor. If the auditor is commissioned to perform further tasks, the Audit Committee must approve the task. In addition, on the Audit Committee's behalf, the company has established a process to ensure that no prohibited non-audit services are contracted to the current auditor or potential future auditors. The work of the Audit Committee is based on particular Rules of Procedure that were most recently amended on 17 June 2016.

The members of the Audit Committee are Mr Stefan Jütte (Chairman), Dr Jochen Scharpe (Deputy Chairman) and Ms Natalie C. Hayday (until 6 January 2021)/Dr. Claus Nolting (since 7 January 2021). The Chairman of the Audit Committee is independent and has special expertise and experience in the application of accounting policies and internal control procedures.

Detailed information on the work of the Supervisory Board and the composition of the committees of the Supervisory Board in the 2020 financial year can be found in the section > Report of the Supervisory Board, which begins on page 26 of this annual report.

Composition of the Boards

Targets for the participation of women

In accordance with section 76(4) and section 111(5) of the German Stock Corporation Act, the Supervisory Board and the Management Board are required to set targets for the participation of women in (i) the Supervisory Board, (ii) the Management Board and (iii) the two management levels below the Management Board, to stipulate a timeframe for when this goal must be achieved, to report on the achievement of this goal, or give reasons in the event of non-achievement of this goal.

Supervisory Board

At its meeting on 8 March 2017, the Supervisory Board agreed a share of 16.6 %, which it is aiming to achieve by 31 December 2021.

The Management Board

At its meeting on 5 March 2020, the Supervisory Board defined a goal for the share of women on the Management Board of 33.33 % and the deadline for achieving this goal as 31 December 2021.

Management levels below Management Board

LEG Immobilien AG itself has no employees and so no targets can be set for LEG Immobilien AG employees. However, at the Management Board meeting of 6 March 2017 the Management Board of LEG Immobilien AG voluntarily set Group-wide targets for the appointment of women to management positions.The Management Board set goal of a share of women of 30 % in the first and second management levels below the Management Board, and is aiming to achieve this by 31 December 2021.

Supervisory Board and Management Board composition (Diversity Concept)

Diversity Concept of the Supervisory Board

For its composition the Supervisory Board has stated the following targets which include various diversity requirements:

- With the overall composition of the Supervisory Board, the competence profile set should be met. On the basis of their knowledge, skills and professional experience, the members of the Supervisory Board should be able to perform the duties of a Supervisory Board member of a listed property company with a focus on residential properties. The Supervisory Board has stated that Group management, the housing industry, property transactions, bank and capital market financing, finances and management and regulation are special areas of competence which should be met by the Supervisory Board as a whole.
- The members of the Supervisory Board should satisfy the requirements of the German Corporate Governance Code.
- At least five members of the Supervisory Board must be independent as defined by the GCGC.
- In the interests of complementary cooperation, the members of the Supervisory Board should have sufficient diversity with regard to different professional backgrounds, specialist knowledge and experience when selecting candidates.
- There should be at least one woman on the Supervisory Board.
- Only candidates younger than 75 at the time of the election should be proposed for the Supervisory Board.
- The period of office of a member of the Supervisory Board should not generally be longer than fifteen years.

In its decision on candidates, the Supervisory Board takes into account not only the statutory requirements and the provisions of the Articles of Association, but in particular the above targets and the competence profile. The same applies to the Nomination Committee, which supports the Supervisory Board by providing assistance in its search for suitable candidates. The Supervisory Board most recently took account of the goals, including the competence profile, in its nomination of Mr Wiesmann in connection with the 2020 Annual General Meeting.

With the current composition of the Supervisory Board all goals have been achieved and the current composition of the Supervisory Board is balanced. The Supervisory Board members have the professional and personal qualifications considered necessary. Diversity is adequately taken into account on the Supervisory

Board, particularly with Natalie C. Hayday as a female Supervisory Board member until 6 January 2021. The Supervisory Board intends to propose to the Annual General Meeting in May 2021 that another, similarly qualified woman succeed Ms Hayday on the Supervisory Board. The Supervisory Board believes that it has a sufficient number of independent members. At present, all members of the Supervisory Board are independent as defined by recommendation C.6 of the GCGC. The regulation on the age limit (75 years at the time of the election) and the standard time limit for membership of the Supervisory Board of three full terms in office (15 years) are also taken into account.

To allow for an evaluation of their skills and a comparison with the goals, the CVs of the Supervisory Board members are published on LEG Immobilien AG's website.

Management Board diversity concept and succession planning for the Management Board

There are the following targets for the composition of the Management Board:

- Each member of the Management Board must have not only his own fundamental qualification, but also must be suitable for the company in its current situation and in view of future tasks.
- The Rules of Procedure for the Management Board specify that members of the Management Board should generally be not older than 65.
- The members of the Management Board should supplement each other in respect to competence and knowledge. Here the Management Board should be composed in a way that the Board as a whole not only has entrepreneurial and managerial competence but also knowledge of property management and extensive expertise concerning regional housing markets.
- Moreover, the composition of the Management Board should allow it to have financial markets expertise as well as social competence, e. g. in the area of social and neighbourhood management.
- At its meeting on 5 March 2020, the Supervisory Board defined a goal for the share of women on the Management Board of 33.3 %.

Together with the Management Board, the Supervisory Board ensures long-term succession planning. The Supervisory Board and its Executive Committee ensure that the composition of the Management Board takes place taking due account of the targets set. In addition, account is taken of the relevant legislation and the recommendations of the German Corporate Governance Code. The Management Board as it stands at presents meets all targets.

The CVs of the Management Board members are published on LEG Immobilien AG's website so that these can be compared against the diversity concept.

The corporate governance declaration in accordance with sections 289f HGB and 315d HGB, including the above declaration in accordance with section 161 AktG and the other disclosures on corporate governance can also be found on the homepage of LEG Immobilien AG at www.leg.ag.

Non-financial report in accordance with section 289b para. 3 HGB and 315b para. 3 HGB

Instead of a non-financial declaration in accordance with section 315b HGB in conjunction with section 289b HGB LEG prepared a separate non-financial report which is published in the annual report from > page 94. The report is also available on the company's website at www.leg.ag.

LEG Immobilien AG also prepares a separate sustainability report, which will be published on the company's website at www.leg.ag on 11 May 2021.

Takeover disclosures in accordance with section 289a and 315a HGB

Composition of issued capital

There are 72,095,943 no-par-value ordinary shares admitted to trading on the Frankfurt Stock Exchange. The shares are registered shares and do not differ in terms of the securitised rights and obligations.

The Authorised Capital amounts to EUR 21,413,950.00. The Contingent Capital amounts to EUR 35,689,918.00.

Restrictions relating to voting rights and transfers of shares

There are no further restrictions on voting rights, the exercise of voting rights or the transfer of shares beyond the statutory provisions.

Interests in capital with shares of voting rights exceeding 10 %

As of 31 December 2020, Massachusetts Financial Services Company (Boston, Massachusetts, USA) held 10.46 % of the share capital of the company, and hence also of the voting rights. Massachusetts Financial Services Company last notified LEG according to section 33 et seq. of the German Securities Trading Act (WpHG) on 15 October 2019. LEG published this notification on 16 October 2019.

Bearers of shares with special rights granting powers of control

The shares issued by LEG do not have special rights granting powers of control.

Rules for the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

Members of the Management Board are appointed and dismissed in accordance with the provisions of section 84 of the German Stock Corporation Act (AktG). There are no material supplementary or divergent provisions in the Articles of Association or Rules of Procedure.

Amendments to the Articles of Association are effected in accordance with the provisions of the AktG. There are no material supplementary or divergent provisions in the Articles of Association or Rules of Procedure.

Authority of the Management Board to issue shares

The Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company by up to a total of EUR 21,413,950.00 by issuing up to 21,413,950 new shares until 18 August 2025 (Authorised Capital 2020).

The share capital is contingently increased by up to EUR 35,689,918.00 through the issue of up to 35,689,918 new shares (Contingent Capital 2013/2017/2018/2020). The contingent capital increase is subject to the proviso that the conditions for the conversion rights issued in 2017 or 2020 or in future are fulfilled and serviced by way of the corresponding utilisation of contingent capital.

By way of resolution dated 29 July 2020, the Management Board of LEG Immobilien AG issued a voluntary commitment declaring that it would not raise LEG Immobilien AG's share capital from Contingent Capital 2013/2017/2018/2020 and from Authorised Capital 2020 by more than 50 % in total of the share capital in place as at the time of the resolution (EUR 71,379,836.00), i. e. not by more than a total of EUR 35,689,918.00.

The Management Board also declared that the sum of shares issued on the basis of Contingent Capital 2013/2017/2018/2020 and Authorised Capital 2020 with shareholders' pre-emption rights disapplied – taking into account other shares that are sold/issued after 19 August 2020 with pre-emption rights disapplied or that are to be issued on the basis of bonds after 19 August 2020 with pre-emption rights disapplied – will not exceed 10 % of the share capital at the time it becomes effective or at the time of utilising the Contingent Capital 2013/2017/2018/2020 or Approved Capital 2020. Shares that are to be issued on the basis of convertible bonds issued by the company in September 2017 or June 2020 are not included in this.

This voluntary commitment is published on LEG Immobilien AG's website at www.leg-wohnen.de/en/corporation/investor-relations/annual-general-meeting/2020/ and can be accessed for the duration of the term of Contingent Capital 2013/2017/2018/2020 and Authorised Capital 2020.

Authorisation on the acquisition and utilisation of treasury shares

On 17 May 2017, the Annual General Meeting of LEG Immobilien AG authorised the Management Board in accordance with section 71(1) no. 8 AktG to acquire treasury shares up to a total of 10 % of the share capital in place as at the time of the authorisation. The shares acquired on the basis of this authorisation, together with other shares of the company that the company has already acquired and still holds or that are attributable to it, cannot account for more than 10 % of the share capital at any time. The authorisation applies until 16 May 2022 and can be exercised in full or in part on one or more occasions. At the discretion of the Management Board, the shares must be acquired in accordance with the principle of equal treatment (section 53a AktG) on the stock exchange or by means of a public invitation to all shareholders to submit offers to sell, in which case the principle of equal treatment of shareholders must also be upheld, unless the disapplication of the right to tender is permitted, (section 52a AktG), or by granting tender rights.

If the shares are acquired on the stock market, the acquisition price (not including incidental costs of acquisition) must not be 10 % higher or 20 % less than the arithmetic average of the price of the shares on the stock exchange in Frankfurt/Main on the last three trading days before the acquisition or the assumption of an acquisition obligation.

If acquired by way of a public purchase offer made to all shareholders or a public invitation to all shareholders of the company to submit offers for sale, the acquisition price (not including incidental costs of acquisition) paid to shareholders must not be 10 % more or 20 % less than the arithmetic average of the price of the shares on the stock exchange in Frankfurt/Main on the last three trading days before the publication of the offer or, if acquired otherwise, before the acquisition.

If the shares are acquired by granting tender rights, the consideration paid per share by the company (not including incidental costs of acquisition) must not be 10 % higher or 20 % less than the average share price on the stock exchange in Frankfurt/Main on the last three stock exchange trading days before the date offers of sale are accepted or the date that tender rights are granted.

The authorisation can be exercised for any purpose allowed by law. The Management Board was also authorised to use the shares acquired on the basis of the acquisition authorisation – subject to other requirement – as follows, in particular: (i) to withdraw shares, (ii) for resale on the stock exchange, (iii) to offer for subscription to shareholders, (iv) for disposal in a manner other than on the stock exchange or by way of offer to all shareholders if the acquired shares are sold against cash payment at a price not significantly less than the stock market price within the meaning of section 186(3) sentence 4 AktG, whereby this authorisation is limited to a pro rata amount of share capital totalling not more than 10 % of the share capital as of the time of the resolution by the Annual General Meeting or – if lower – 10 % of the share capital as of the time of the disposal of the shares, (v) as part of a merger or for the acquisition of companies, parts of companies or equity investments in companies, including increases of existing holdings, or of other eligible assets such as properties, property portfolios and receivables from the company, and (vi) to fulfil option or conversion rights/obligations, whereby this authorisation is limited to a pro rata amount of the share capital of not more than 10 % of the share capital of LEG Immobilien AG at the time of the resolution of the Annual General Meeting regarding this authorisation or – if this value is lower – 10 % of the share capital at the time of the disposal of the shares. Shareholders' pre-emption rights can be disapplied in certain cases, including for fractional amounts.

The statutory provisions also apply.

Material agreements of the company for the event of a change of control following a takeover bid

LEG Immobilien AG issued a convertible bond with a volume of EUR 400 million in September 2017 and a convertible bond with a volume of EUR 550 million in June 2020. In the event of a change of control, the terms and conditions of the convertible bonds state that the bondholders shall be entitled to receive an increased number of shares at a correspondingly adjusted conversion price if the conversion is exercised within a defined period following the change of control. Prior to a change of control taking place, bondholders may submit their convertible bonds for conversion when a corresponding takeover bid is published subject to the condition precedent of the change of control taking place. The extent of the adjustment to the conversion price shall fall during the term of the convertible bonds; this is defined in greater detail in the terms and conditions of the convertible bonds.

In January 2017, LEG Immobilien AG issued a corporate bond with a total nominal amount of EUR 500 million. Under the bond conditions, the creditors have the right to demand the full or partial redemption or, at LEG Immobilien AG's discretion, the purchase of their bonds in the event of a change of control.

In November 2019, LEG Immobilien AG also issued two corporate bonds with a total nominal amount of EUR 300 million and EUR 500 million respectively under the existing debt issuance programme. The creditors of these bonds have the right to demand the redemption of their bonds if a change of control occurs and the credit rating deteriorates within 90 days of the change of control.

A change of control in accordance with the conditions of the financial instruments described above is considered to have taken place if a person or persons acting in concert hold 30 % or more of the shares in LEG Immobilien AG or are otherwise able to exercise control over the company.

In addition, there are some financing agreements in place that contain a termination clause for the benefit of the financing banks, following such a change of control.

Compensation agreements concluded by the company with employees or members of the Management Board in the event of a takeover bid

The contracts of employment of the Management Board members contain provisions with respect to the event of a change of control. In case of an early Management Board contract termination in the event of a change of control, members of the Management Board receive payments. This agreement complies with recommendation G 13 of the German Corporate Governance Code by limiting the compensation in accordance with the suggested compensation cap. In accordance with the recommendation G 14 of the German Corporate Governance Code, no agreements have been made for compensation in the event of early termination of the employment agreement by the member of the Management Board following a change of control.

Dusseldorf, 8 March 2021

LEG Immobilien AG, Dusseldorf
The Management Board

LARS VON LACKUM
SUSANNE SCHRÖTER-CROSSAN
DR VOLKER WIEGEL

4

NON-FINANCIAL INFORMATION

Non-financial report

Notes on contents of report and framework

LEG Immobilien AG is publishing a separate non-financial consolidated report in accordance with section 315b HGB for the 2020 financial year (hereinafter referred to as the non-financial report). It comprises key non-financial aspects that have a significant impact on environmental, social, employee, corruption and human rights issues and that are relevant to LEG Immobilien AG's net assets, financial position and results of operations for the 2020 financial year.

The non-financial report provides information on key non-financial performance indicators, individual targets and the concepts underpinning these. Account should be taken of the impact of the pandemic in assessing the non-financial performance indicators, especially in comparison to the previous year. The standard of the Global Reporting Initiative (GRI) served as the general framework for the structure of the materiality analysis and the description of concepts. More information can be found in > section "GRI key figures" on pages 111 ff. This is not the subject of the company audit.

With the exception of the disclosures marked as "not audited", the non-financial report was subject to a voluntary limited assurance audit by the audit firm PricewaterhouseCoopers GmbH. Further information on the LEG Group's sustainability efforts can be found in the comprehensive sustainability report, which was published in May 2021 and also contains a report in accordance with EPRA standards. References to disclosures not included in the Group management report or the consolidated financial statements constitute additional information and are not part of the non-financial report.

Business model

With around 145,000 rental properties, approx. 400,000 tenants and around 1,600 employees (as at 31 December 2020), LEG is a leading listed housing company in Germany, based in Dusseldorf. The company is listed in the MDAX and generated rental and lease income of around EUR 861 million in the 2020 financial year.

As the biggest landlord in Germany's most populous state, North Rhine-Westphalia, as well as operating in other states in western Germany, LEG helps meet rising demand for affordable housing. A consistently value-driven business model with a focus on growth and customers combines the interests of shareholders and tenants. Customer satisfaction is especially important to LEG. It is therefore constantly striving to further improve the quality of its service through target group orientation, social and neighbourhood management and personal service.

Further information on LEG's business model can be found in the Group management report starting on > page 36.

Below, we report on key issues for the LEG Group. The non-financial report is structured in line with the aspects determined as part of the materiality analysis.

Material aspects

The LEG Group conducted a materiality analysis in 2020 to identify material non-financial aspects in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and taking into account the requirements of the GRI standards. To this end, non-financial aspects that may be relevant to the LEG Group were initially identified on the basis of a field analysis, which took account of capital market requirements and various industry and reporting standards.

These aspects were then assessed regarding the LEG Group's potential impact on the matters, their business relevance and with regard to the associated expectations of internal and external stakeholders. Tenants, employees and executives at the LEG Group were involved in the assessment, as well as external experts, providing perspectives from civil society, academia, the capital market and politics.

The results were consolidated and translated into a materiality matrix. The following report sets out our position on the six aspects that were identified as high or very high regarding their business relevant to the LEG Group and the company's potential impact:

1. Sustainable growth and resilience
2. Customer satisfaction and participation
3. Corporate culture and values
4. Reduction of energy use and emissions
5. Fair and affordable rent
6. Neighbourhood development

We have not identified any other material aspects within the meaning of HGB. Our analysis determined that the aspects of the law "respect for human rights" and "tackling corruption and bribery" are not material for the LEG Group in the strict sense of the law and so these are not discussed in detail here. They are nonetheless key issues for the industry and so we address them briefly under "Sustainable growth and resilience". The LEG sustainability strategy also considers respect for human rights.

This non-financial report is structured in line with the five key areas set out in our sustainability strategy, to which we have assigned the material aspects detailed above. These five key areas are "business", "tenants", "employees", "the environment" and "society". They form the structural basis of our sustainability strategy and the targets identified by way of this.

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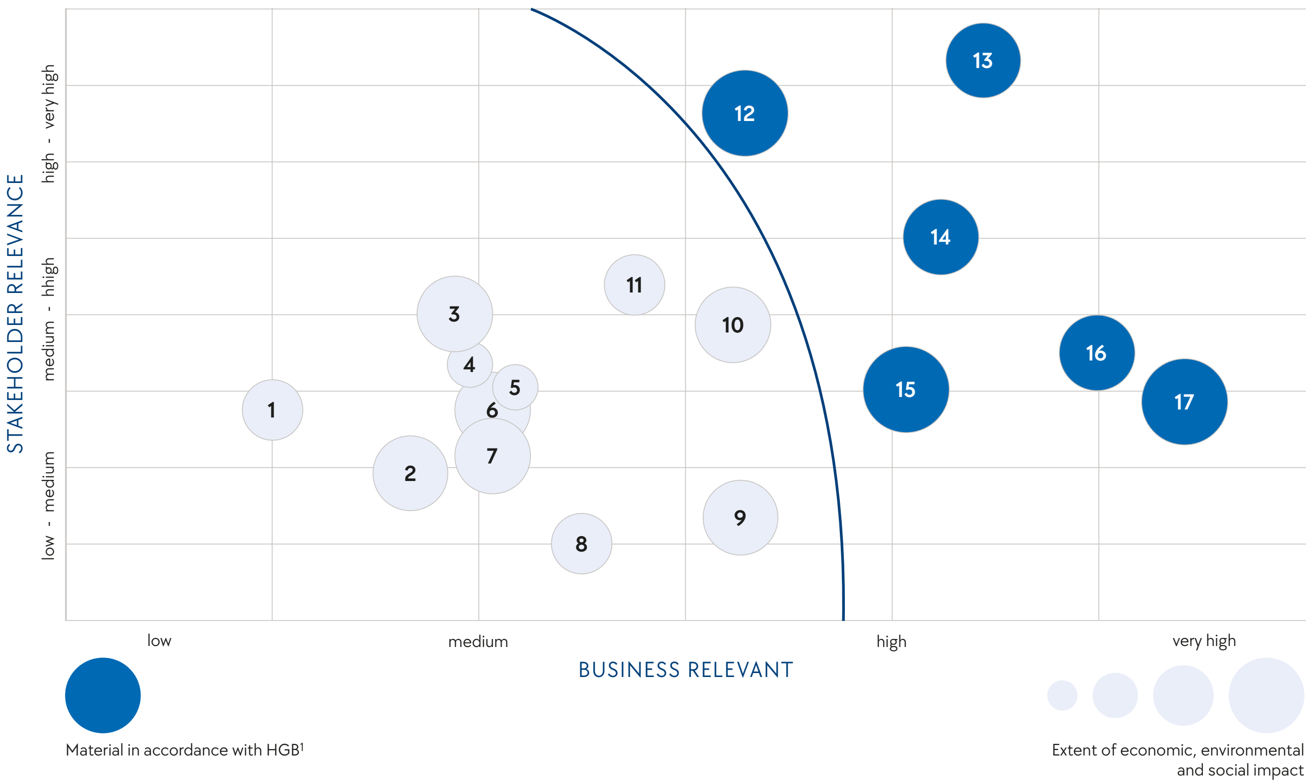
Materiality analysis



1	Human rights standards in the supply chain	7	Local social dialogue	12	Fair and affordable rent
2	Social commitment	8	Transparent financing and liquidity strategy	13	Customer satisfaction and participation
3	Land use and nature conservation	9	Good governance and compliance	14	Reduction of energy use and emissions
4	Health protection and occupational safety	10	Sustainable construction materials and environmental management	15	Neighbourhood development
5	Training and professional development			16	Corporate culture and values
6	Diversity and equality of opportunity	11	Work-life-balance and family friendly policies	17	Sustainable growth and resilience

[1] Materiality threshold (very) high business relevance and (very) high impact

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List of key areas

HGB aspects	Key areas	Issue
Environmental issues	Key area: environment	Reduction of energy use and emissions
Employee matters	Key area: employees	Corporate culture and values
Social issues	Key area: tenants, key area: society	Customer satisfaction and participation, fair and affordable rent, neighbourhood development
Respect for human rights	Not material for LEG according to 2020 materiality analysis, but nonetheless included in the LEG sustainability strategy	Not material for LEG according to 2020 materiality analysis, but nonetheless included in the LEG sustainability strategy
Tackling corruption and bribery	Key area: business	Sustainable growth and resilience

Risk assessment

Under HGB, non-financial risks associated with the company's business operations and that would very likely have a severe negative impact on the aspects stated if they occurred are to be reported along with concepts and efforts.

As part of our comprehensive risk management, we also assess potential risks in our key areas on both a gross and a net basis. The LEG Group management does not believe that there are any non-financial risks that meet materiality criteria under section 289c (3) no. 3 and 4 HGB after taking account of risk mitigation measures.

Further information on risk management is included in the Risks, opportunities and forecast report of the Group management report starting on > page 62.

Key area: business

Sustainable growth and resilience

LEG defines sustainable growth and resilience as taking environmental and social criteria into consideration in the company's long-term business strategy. The LEG Management Board and Supervisory Board are committed to corporate governance that is based on sustainability.

This is also reflected in corresponding organisational structures, processes and documentation. LEG has been steadily working on implementing its sustainability strategy and the roadmap for 2023 since 2018. We describe the progress that has been made in implementing the strategy's sustainability targets each year in our sustainability report. The sustainability strategy will be updated when the sustainability report is published in May 2021.

The three-member LEG Management Board bears overall responsibility for sustainability. The senior decision maker for sustainability issues on the Management Board is CEO Lars von Lackum, who is also Chairman of the company's Sustainability Committee. On the Supervisory Board, Deputy Chairman Stefan Jütte is responsible for the area.

At the end of the 2020 financial year it was decided to include central sustainability targets when determining Management Board remuneration from 1 January 2021 onwards. As well as the extent of modernisation measures for existing properties and reducing CO_2 emissions, this also includes issues related to customer and employee satisfaction (reduction of repeat calls and Trust Index in the "Great Place to Work" employee survey). These same targets and criteria also apply to middle-level management.

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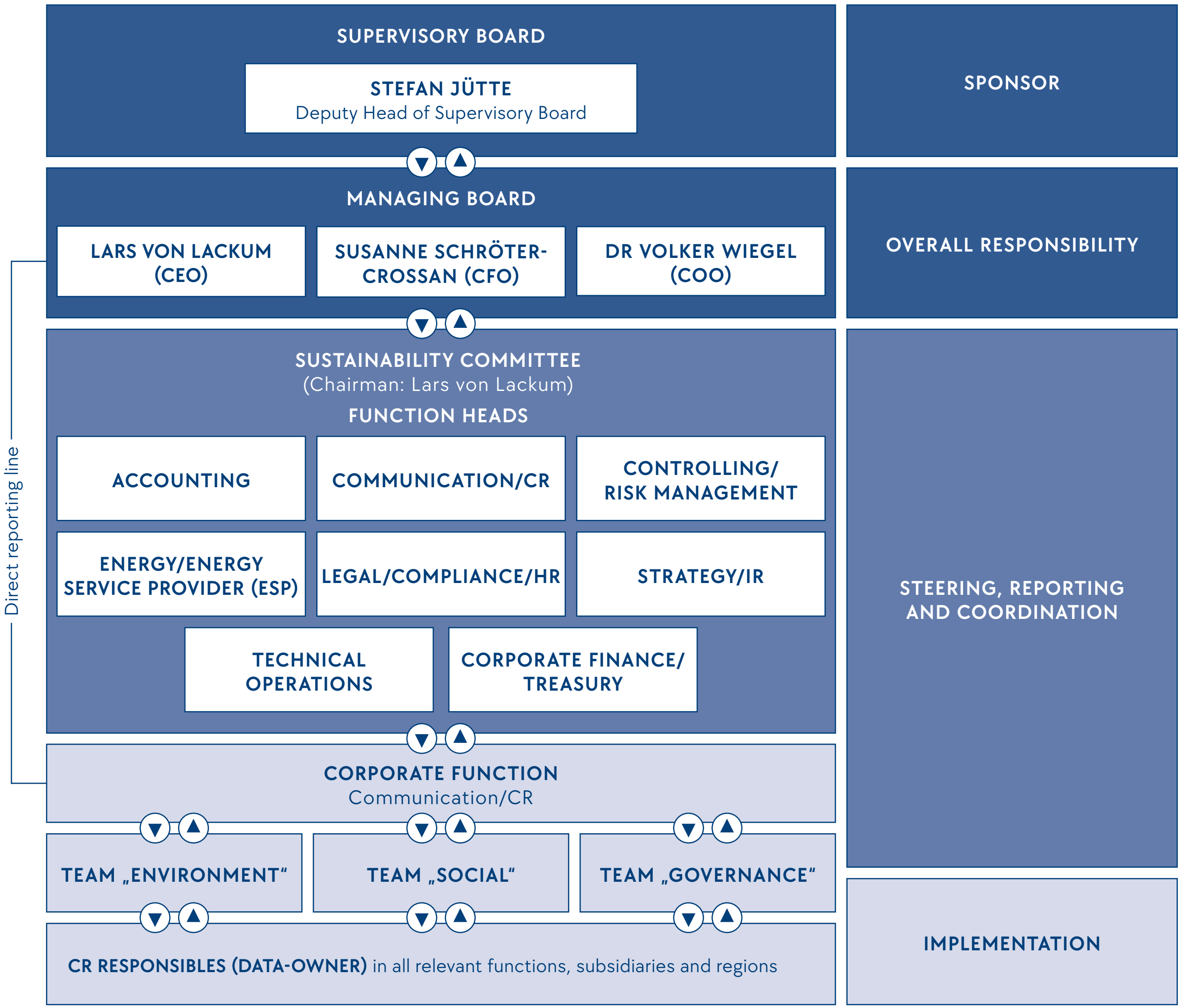
Organisation of LEG Sustainability Management



A Sustainability Committee comprising heads of central areas and operations managers acts as a committee for strategic decisions and to pool activities. The Sustainability Committee's chief responsibilities include regularly reviewing our sustainability model, determining sustainability targets and following up on the implementation of these. The Sustainability Committee meets on multiple occasions throughout the year. It is coordinated by sustainability management, which is located in Corporate Communications and serves as a central interface between the areas. Second management level responsibilities are coordinated by the head of Corporate Communications & Corporate Responsibility. The "Environment", "Social" and "Governance" teams are responsible for the relevant issues and work on refining these. Furthermore, additional Corporate Responsibility managers (DataOwner) from the various areas of LEG are involved. They put specific issues into practice and provide data.

Relevant key figures are regularly collected to review target attainment for our sustainability strategy. Specifically designated Corporate Responsibility managers in the areas are responsible for this. They also ensure that necessary measures are taken to meet the sustainability targets.

In addition to these permanent structures, LEG's sustainability management is rounded off by issue-specific project groups. These include a committee set up in 2019 made up of LEG Wohnen NRW management, EnergieServicePlus, Construction Project, Rental and Portfolio Management, Investor Relations and Sustainability Management. This committee handles broader developments in Germany and housing industry issues generally and for LEG specifically. In addition, sustainability issues are gradually being integrated into Risk Management and key sustainability figures incorporated into Controlling.

The capital market has also recognised the progress we have made with implementing our sustainability strategy. We are frequently rated by international ratings agencies specialised in assessing efforts related to environmental, social and responsible corporate governance. We improved our ratings here in the 2020 reporting year: In November 2020, we ranked in the top three of 135 housing companies in the Sustainalytics ESG Risk Rating. Our 2019 sustainability report earned an EPRA Gold award. In the sector-specific GRESB rating, our performance remained stable despite far greater demands. In 2021, we are again endeavouring to build on past successes.

Our materiality analysis determined that the aspects "respect for human rights" and "tackling corruption and bribery" are not material for the LEG Group. Nevertheless, we briefly discuss these aspects here.

The LEG Group operates a compliance management system (CMS) that bundles measures aimed at compliance with legal provisions and internal policies, especially with regard to the areas of anti-corruption, competition, taxes, housing, data protection and the capital market. The LEG CMS was certificated by the Corporate Governance Institute of the German Real Estate Industry Association in 2019. The Management Board, which sets the compliance targets, is responsible for the CMS. The compliance targets are reviewed on a regular basis and the Management Board receives reports on the extent to which they have been achieved. LEG is committed to respecting human rights as defined by the United Nations (UN Guiding Principles on Business and Human Rights). Internationally recognised agreements such as the United Nations Universal Declaration of Human Rights and the eight fundamental Conventions of the International Labour Organization (ILO) form the core of our corporate culture and all of our activities. The values and standards established in these agreements are reflected in internal Group documents.

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Key area: business

Key performance indicator(s)	Unit	2018	2019	2020
Scale of the organisation				
Total number of employees[1]	Number	1,314	1,365	1,443
Total number of operations[2]	Number	8	8	7
Net sales[3]	€ million	418.6	435	429.8
Quantity of products or services provided[4]	Number of residential units	133,969	134,031	144,530
Confirmed incidents of corruption and actions taken				
Total number and nature of confirmed incidents of corruption[5]	Number	0	0	0
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption[6]	Number	0	0	0
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption[7]	Number	0	0	0
Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices				
Total number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant[8]	Number	0	0	0
Non-compliance with laws and regulations in the social and economic area				
Total monetary value of significant fines[9]	€	0	0	0
Total number of non-monetary sanctions[10]	Number	0	0	0
Cases brought through dispute resolution mechanisms[11]	Number	0	0	0
Non-compliance with environmental laws and regulations				
Total monetary value of significant fines[12]	€	0	0	0
Total number of non-monetary sanctions[10]	Number	0	0	0
Cases brought through dispute resolution mechanisms[11]	Number	0	0	0

1 Average number of employees.
2 The total number of operations equates to the seven LEG branch offices.
3 Equates to the revenue from renting and leasing.
4 Equates to the number of residential units within the LEG portfolio.
5 Relates to all confirmed cases of corruption, bribery and the granting or receiving of advantages.
6 The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which employees were terminated or warned.
7 The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which contracts with business partners were terminated or not renewed is disclosed.
8 Number of pending and concluded legal actions and cases is disclosed.
9 Fines of EUR 100,000 or more are considered significant.
10 Repressive, i.e. punishing, measures for past misconduct not consisting of a monetary sanction are reported.
11 Dispute resolution mechanisms are reported, i.e. judicial proceedings and out-of-court dispute resolution based on mediation or conciliation.
12 Fines of EUR 100,000 or more are considered significant.

Key area: tenants

Customer satisfaction and participation

Customer satisfaction and participation are key performance indicators for LEG's economic performance. Both require proactive, open communication with our tenants and taking customer requests into account in portfolio management and other services.

One of LEG's key targets is to ensure satisfied tenants in stable neighbourhoods where they can enjoy good, secure and fair rents. High customer satisfaction reduces costs by ensuring lower tenant turnover, guarantees income and improves the company's reputation. LEG's objective is thus to ensure sustained, i. e. permanent, customer satisfaction. We aim to achieve this by offering good value for money, continually improving LEG services in qualitative terms and consistently focusing on our tenants' needs.

All LEG functions are responsible for ensuring high customer satisfaction, in particular those with direct customer contact such as employees at our central customer service and the seven branches. The Management Board and management also play a vital role in direct customer contact and are actively committed to increasing customer satisfaction. In future, the number of customer enquiries that are not satisfactorily resolved the first time around – as measured by the share of repeat calls – will be taken into account when determining remuneration for the Management Board and the second management level.

The CEO of LEG generally meets with tenants face-to-face multiple times a year at customer talks. Direct customer dialogue is strengthened in the Customer Advisory Council, which usually meets once per quarter at various locations and brings together dedicated tenant representatives from all branches and helps them play an active role in neighbourhood development decision processes and in developing and improving services. At these meetings, key issues are discussed with the company COO and joint solutions are developed.

High customer satisfaction requires that tenants can approach us with their needs and problems at all times. LEG offers its customers a wide range of ways and channels to get in touch. For example, they can contact LEG by telephone, e-mail, letter, in person or online via the tenants portal or tenants app if they have any problems or queries. Selected locations offer consultation hours with no appointment needed, although these were largely suspended in 2020 due to the coronavirus pandemic. Issues and complaints are processed using a ticket system and passed on to the person responsible. Necessary repairs are usually carried out by TechnikServicePlus GmbH (TSP).

As well as providing a quick solution to their concerns, the health and safety of our customers in their homes is central to their satisfaction. LEG puts systematic and comprehensive safety precautions in place to guarantee this as best possible. These are provided by the company's own employees as part of inspections and checks on buildings and facilities, as well as by service providers. Tradespeople are promptly hired if any shortcomings or accident risks are identified. After completion, the repair work is checked and documented.

The Management Board delegates responsibility for risk prevention to the regional branch. Twice a year, the Property Management department carries out spot checks in line with the dual control principle to ensure work is of a high quality and complete.

LEG uses various tools to assess the effectiveness of all measures to increase customer satisfaction. In particular, these include tenant satisfaction surveys, interviews with points of contact, feedback on neighbourhood support measures, the assessment of safety inspections and analyses of callers who make multiple calls about an issue.

We also implemented additional measures to increase customer satisfaction in the current reporting year, for example in customer correspondence and communication. All letters to tenants were revised, digital communication was expanded and additional features were added to the tenants portal. We also expanded the callback service at the central customer service and introduced contactless letting on account of the coronavirus restrictions. The Customer Advisory Council met twice in 2020, despite the restrictions, and two customer talks were held.

Particularly worthy of mention is the customer survey of around 20,000 LEG tenants conducted between 18 November and 7 December 2020. The quantitative analysis of the results of the approx. 4,700 responses was not yet complete at the time of reporting. We hope that the responses will provide key indicators for additional improvement potential that will allow us to increase customer satisfaction in the years ahead. For example, our customers requested more parking spaces and garages to rent and so we immediately expanded our range of these services online.

Tenant turnover and average length of occupancy are key performance indicators for tenant satisfaction. Both of these improved against the previous year.

T47

Tenant turnover and average length of occupancy

	2020	2019
Tenant turnover (as %)	9.6	10.5
Average length of occupancy (in years)	11.6	11.9

Not audited by PwC

Thanks to its systematic safety precautions process, in the 2020 financial year LEG ensured that 99.8 % (2019: 98.5 %) of its own buildings were thoroughly tested for potential hazards and defects in common areas were identified at an early stage so that they could be promptly remedied. Safety precautions checks for the remaining buildings will be completed at the start of 2021.

Fair and affordable rent

By providing affordable and diverse housing including in urban areas, LEG plays a role in addressing pressing social challenges such as demographic change and migration.

LEG Immobilien AG is a housing company with deep roots in the North Rhine-Westphalia metropolitan region. On this basis, LEG is pursuing the expansion of its regional focus, particularly in regions bordering NRW that have comparable structures. About 8 % of the portfolio is located in other states in western Germany. Our portfolio contains around 145,000 rental properties with an average size of 64 square metres and 1,300 commercial units. Our focus on affordable housing and our units help meet demand by the rapidly growing number of smaller households that are characteristic of our market. We want to be able to offer all tenants long-term home prospects.

We provide homes to average earners and to those eligible for social housing at affordable prices and create a home worth living in for people who simply want to live well. In the reporting year, 25 % of our properties were social housing with an average rent of EUR 4.93 per square metre.

Upgrading existing properties is a key driver of rent costs. LEG takes a careful approach to modernisation work. Measures that reduce energy consumption and emissions create a better and more environmentally friendly living environment for tenants. However, the modernisation work must also be economically viable for the tenants, i. e. reducing their utilities costs and still ensuring affordable housing. Bringing environmental protection into line with economic viability for tenants opens up a whole array of opportunities. It increases the sustainability and value of the housing portfolio, makes the rental property more attractive and improves both customer satisfaction and tenancy duration.

All in all, like-for-like rent rose by an average of 2.3 % in 2020 – lower than the rental growth seen in previous years as a result of buffering the effects of the coronavirus pandemic. We also offered rent deferrals and instalment payment programmes that went beyond the legal requirements. As part of our "coronavirus heroes programme", we also granted a 20 % rent reduction for at least two years to key workers who come to us as new tenants (e. g. nursing staff, retail workers). > see page 5

By committing to new construction, we also aim to make a contribution to society by providing more affordable housing. LEG will create free-financed and subsidised housing as part of its new building initiative launched in 2018, building or purchasing at least 500 new apartments each year from 2023 onwards. The annual investment volume for this is around EUR 130 – 150 million. To this end, LEG Solution GmbH will built approx. 250 apartments each year on own or purchased land that is suitable for redensification. We acquired two turnkey newbuild projects and two plots of land in the reporting year. A total of 250 apartments will be built here at existing company sites, about 74 % of which are subsidised residential properties.

T48

Key area: tenants

Key performance indicator(s)	Unit	2018	2019	2020
Assessment of the health and safety impacts of product and service categories				
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement[1]	%	97.1	98.5	99.8
Substantiated complaints concerning breaches of customer privacy and losses of customer data				
Complaints received from outside parties[2], and substantiated by the organisation	Number	0	2	0
Complaints from regulatory bodies	Number	0	0	2
Total number of identified leaks, thefts, or losses of customer data[3]	Number	46[4]	72	15

[1] Percentage of LEG portfolio buildings for which safety checks were performed in the year under review is reported. For the remaining buildings, safety precaution checks will be completed at the start of 2021.
[2] "Outside parties" refers to any external party.
[3] Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation.
[4] Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation. As a result of changed assessment of the risks relating to rights and freedoms of the subjects due to the change of the Data Protection Officer in the 2020 reporting year, there were fewer reports to the State Data Protection Officer.

Key area: employees

Corporate culture and values

LEG's corporate culture is based on the values that characterise our collaboration and promotes an open, respectful and productive way of working with all company employees.

Our objective is to continually develop our organisational culture in line with constantly changing demands and to make it resilient. We aim to establish a leadership and collaboration culture that puts team development at its heart. Through our occupational health management, we offer our employees a wide range of benefits that are constantly being optimised. We particularly value the trusting and constructive partnership between employee and employer representatives.

The 2025 HR Strategy provides a framework for responsible, values-driven human resources work. It translates social megatrends such as demographic and technological change, digitalisation and the complexities of modern society into measures and concepts that serve our company's performance aspirations.

The objectives of the HR strategy are to attract top talents to LEG, optimise training, professional development and succession processes, strengthen employee loyalty and reduce turnover. Our overarching goal is to continually improve our image and appeal as an employer.

LEG's Human Resources department manages and is responsible for the HR strategy, as well as all central personnel-related processes and tasks. The unit comprises the areas of HR Management, Staff Development and Change Management as well as the person in charge of training. It is responsible for maintaining close dialogue with the workforce, who – as company partners – are actively informed of upcoming changes and involved in the decision-making process. It also conducts collective bargaining negotiations.

The Management Board is closely involved in discussions and approves the related concepts and programmes. Detailed HR key figures are also regularly reported to the Management Board.

A particular challenge in the reporting year was handling the coronavirus pandemic and the restrictions imposed on team work, social contact and staff development as a result. Under LEG's 10-point plan to protect and safeguard customers and employees, we gradually shifted our entire company workforce – with the exception of certain emergency functions – to working from home or in a "split office", ensuring the utmost degree of safety and flexibility for our employees and their families. We also paid our employees an additional COVID-19 bonus of EUR 1,111, which was increased to EUR 1,500 in 2021.

In order to maintain an open and transparent corporate culture, the Management Board conducted a phone call with all employees each quarter in 2020. For the first time in the last financial year, these calls provided an opportunity to ask anonymous follow-up questions and to provide feedback on company issues.

To strengthen employee motivation and team spirit even during the pandemic, new initiatives ranged from virtual team lunches subsidised by the company to virtual team events run by professionals.

Thanks to these measures, along with many others, our employee satisfaction remained very high even in 2020, a year shaped by the pandemic. In the "Great Place to Work" employee survey, 78 % of our staff agreed that our company is a "very good place to work". The Trust Index – an average of all core aspects of employee satisfaction measured by "Great Place to Work" – was 66 %, one percentage point higher than in 2017 (65 %). The approx. 400 employees at the company TechnikServicePlus GmbH (a LEG subsidiary) took part in the 2020 survey for the first time.

In 2020, we broke the trend of steadily increasing employee fluctuation that had resulted from restructuring measures, with employee turnover lower than in 2017.

T49

Employee turnover

in %	2020	2019	2018	2017
Employee turnover	7.5	11.6	9.1	8.9

For the first time, we have seen the number of applications for each advertised vacancy increase since the start of 2021. This is an indicator of our appeal as an employer to new employees and our aim is to continually increase this until 2023.

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Key area: employees

Key performance indicator(s)	Unit	2018	2019	2020
Information on employees and other workers				
Total number of employees by employment contract (permanent and temporary) and gender[1]				
Total number of employees	Number	1,380	1,444	1,599
Of which women	Number	504	521	568
Of which men	Number	876	923	1,031
Of which temporary	Number	103	116	124
Of which women	Number	38	37	48
Of which men	Number	65	79	76
Total number of employees by employment type (full-time and part-time) and gender[2]				
Full-time	Number	817	874	950
Of which women	Number	320	343	374
Of which men	Number	497	531	576
Part-time	Number	187	159	183
Of which women	Number	153	135	144
Of which men	Number	34	24	39
New employee hires and employee turnover				
Total number and rate of new employee hires during the reporting period by age group gender and region[3]				
Total	Number	119	144	176
Rate	%	11.9	13.9	15.5
Total number and rate of employee turnover during the reporting period by age group gender and region[4]				
Total	Number	91	120	85
Rate	%	9.1	11.6	7.5
Work-related illnesses				
Absence rate[5]	%	6.8[6]	6.5	4.9

[1] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The temporary employment figures do not include trainees and employees with no further claim to insurance benefits at TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH. Included are the 31 employees of LWS Plus GmbH which was included in consolidation in October 2020.
[2] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
[3] Trainees, casual workers and students and new employee hires at TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included. A further breakdown of the figures is not possible at this time.
[4] The departure of trainees, casual workers and students, and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included. A further breakdown of the figures is not possible at this time.
[5] An absence rate for LEG is determined. This excludes TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as these are not settled via the SAP system. Casual workers, employees with no further claim to insurance benefits, trainees and students are not included in the calculation. Days absent is divided by total possible days.
[6] Not audited by PwC.

T50

Key area: employees

Key performance indicator(s)	Unit	2018	2019	2020
Work-related injuries				
Number of employees				
Deaths resulting from work-related injuries[1]				
Number	Number	0[2]	0	0
Work-related injuries with severe consequences (excluding deaths)				
Number	Number	0[2]	0	0
Documented work-related injuries[3]				
Number	Number	20[2]	28	28
Rate[4]			4.35	4.02
Most important types of work-related injuries[5]				
Hours worked[6]	Number		1,285,892	1,391,850
Percentage of employees receiving regular performance and career development reviews				
Percentage of total employees who received a regular performance and career development review during the reporting period[7]	%	72.2	50.3	82.8

[1] For work-related injuries the electronic first-aid log is assessed together with the accident notifications to the Employer's Liability Insurance Association. Not included are TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG.
[2] Not audited by PwC.
[3] The absolute number of first-aid log entries stagnates with more hours. What is striking is the accumulation of smaller injuries, something which indicates a good use of the first-aid log. Not included are the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH
[4] The rate is based on 200.000 working hours
[5] 2020: accidents as a result of tripping/falls (12), cuts (5), psychological stress (3), impact injuries (2), bruises (2), abrasion (1), uncontrolled moving parts (1), attacks by humans (1), forced posture (1).
[6] Employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included.
[7] Not included are employees of TechnikServicePlus GmbH, EnergieServicePlus, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as well as apprentices, casual workers, students, employees with no further claim to insurance benefits, trainees, employees on parental leave and in the passive stage of partial retirement. A breakdown by gender and type of employee is not possible at this time.

T50

Key area: employees

Key performance indicator(s)	Unit	2018	2019	2020
Diversity of governance bodies and employees				
Percentage breakdown of people in governance bodies by:				
Gender[1]				
Women	%	16.7	16.7	16.7
Men	%	83.3	83.3	83.3
Age				
Under 30 years old	%	0	0	0
30–50 years old	%	16.7	16.7	16.7
Over 50 years old	%	83.3	83.3	83.3
Percentage of employees per employee category by:				
Gender[2]				
LEG total				
Women	%	47.1	46.3	45.7
Men	%	52.9	53.7	54.3
Age[3]				
LEG total				
Under 30 years old	%	12.5	10.7	12.3
30–50 years old	%	48.3	50.8	49.5
Over 50 years old	%	39.2	38.5	38.3

[1] The figures relate to the six members of the Supervisory Board.
[2] Employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), employees with no further claim to insurance benefits, trainees and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
[3] Employees in the passive stage of partial retirement, apprentices, trainees, students, casual workers and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.

Key area: environment

Reduction of energy use and emissions

Reducing buildings' direct and indirect energy consumption and the greenhouse gases that they emit has become essential to success in the property industry.

The German federal government's climate package enshrined sector-specific environmental targets and CO_2 pricing in law for the first time. For the building sector, this means reducing greenhouse gas emissions in Germany to 72 million tonnes by 2030 (2020: 118 million tonnes). LEG supports the federal government's target of making building stock in Germany virtually carbon-neutral by 2050.

We began preparing a climate strategy in the reporting year. To provide sound underlying data on which to base this, we expanded CO_2 emissions measurements to include actual figures, in addition to the previous practice of extrapolating from energy certificates.

In the reporting year, we set up a team of experts at our subsidiary EnergieServicePlus so that we can better assess and manage the environmental risks and opportunities for LEG. This team is responsible for monitoring CO_2, working out ways to reduce our CO_2 emissions and conducting research related to CO_2 reduction.

In 2021, we will assess whether there are any potential physical or transitory environmental risks and, if so, integrate these into LEG's risk management system.

The continuation of our modernisation programme also helped reduce specific CO_2 emissions produced by our portfolio in 2020. At least 3 % of residential units are to be upgraded for maximum energy efficiency each year between 2017 and the end of 2021. By 2021, we also intend to reduce the number of residential buildings in energy efficiency classes G and H by 20 %. Previous charges are due both to the CO_2 emissions and the number of energy efficiency classes when purchasing portfolios worse in energy terms as well as the extensive new issue of energy certificates and more than offset the positive effects from the energy modernisation of buildings in the existing portfolio.

Projects were physically completed in 2020 that will result in energy improvements for almost 6,200 residential units – about 4.3 % of our portfolio as at 31 December 2020. In 2019, this figure was 4 % and 4,800 residential units.

LEG is planning to carry out even more comprehensive modernisation work for entire neighbourhoods in the future. We had particularly positive experiences with this in the past financial year. By upgrading energy efficiency in neighbourhoods in Monheim, Dortmund and Herne – a total of about 2,200 residential units, we made average energy savings of 40 % to 46 % by installing large-scale insulation, exchanging windows and refurbishing roofs.

We are also paving the way for virtual carbon-neutrality in new builds: 100 % of our planned new buildings will be rated energy efficiency class A in future. All current projects are to receive funding under "KFW 55", which requires primary energy requirements to be 45 % lower than those of a reference building under the German Energy Saving Ordinance (Energieeinsparverordnung). All of our new builds are thus fitted with an environmentally friendly source of heating, good insulation, energy saving windows and the option to install green roofing.

Newly built units that we intend to purchase from project developers starting in 2023 (250 each year) should all be "KFW 55 homes" and over 90 % of them are to be in energy efficiency class A.

T51

Key area: environment

Key performance indicator(s)	Unit	2019	2020
Energy consumption outside the organisation (housing portfolio)			
Total heating energy consumption (rental units)[1]	MWh	1,306,781.3	1,333,074.5
Of which natural gas	MWh	843,924.4	860,823.9
Bergkamen	MWh	143,570.3	145,736.7
Dortmund	MWh	105,488.3	105,729.5
Duisburg	MWh	101,470.3	106,101.4
Dusseldorf	MWh	118,919.8	119,481.5
Gelsenkirchen	MWh	62,096.7	63,425.2
Cologne	MWh	149,554.2	156,662.9
Westphalia	MWh	162,824.8	162,634.8
External management	MWh	–	1,052.0
Of which heating oil	MWh	49,582.8	49,802.1
Bergkamen	MWh	7,713.4	7,926.5
Dortmund	MWh	4,532.8	4,559.9
Duisburg	MWh	1,881.7	2,239.8
Dusseldorf	MWh	6,708.0	6,758.0
Gelsenkirchen	MWh	440.1	567.6
Cologne	MWh	15,565.9	15,522.6
Westphalia	MWh	12,740.8	12,134.2
External management	MWh	–	93.5
of which district heating	MWh	371,254.0	380,955.0
Bergkamen	MWh	58,071.3	59,561.9
Dortmund	MWh	70,109.4	67,940.9
Duisburg	MWh	25,046.9	27,745.0
Dusseldorf	MWh	68,495.1	68,852.1
Gelsenkirchen	MWh	70,256.8	71,168.7
Cologne	MWh	23,177.9	27,706.1
Westphalia	MWh	56,096.6	57,311.6
External management	MWh	–	668.7

[1] For 2019, for the first-time heating energy consumption was recorded in the context of an extensive climate/CO_2 footprint. In doing so, all residential units were included for the first time. For the KPI Building-Intensity, there was also a vacancy adjustment for the rental area. 81% of current data were determined, with the missing 19% extrapolated at property level on the basis of the Greenhouse Gas Protocol Standard (also with previous-year data, in line with the valid energy efficiency certificates or the building age cluster). In doing so, not only data provided by LEG was used, but also 23% of actual consumption was provided by utilities at property level. There was also a breakdown by energy type, so that it was also possible to determine a CO_2 footprint per energy type. At branch office level, the three main energy types of natural gas, heating oil and district heating are shown. There are also other heating types such as electricity and coal. As no energy data were yet available at the time the reporting for the 2020 financial year took place, the figures for 2020 were extrapolated on the basis of the 2019 data, adjusted for additions and disposals, i.e. taking account of LEG portfolio changes. In addition, many additions have not been allocated to a LEG branch office which manages rental agreements, As a result, many additions are still administered by external managers while the contracts are still in place or have not yet been terminated.

T51

Key area: environment

Key performance indicator(s)	Unit	2018	2019	2020
Energy consumption outside the organisation (housing portfolio)				
Building energy intensity[1]	kWh/m² a	–	157.7	157.5
Type and number of sustainability certification				
Percentage of residential buildings by energy efficiency certificates[2]				
Energy efficiency level A+	%	0.02	0.09	0.07
Energy efficiency level A	%	0.3	0.4	0.2
Energy efficiency level B	%	1.8	1.7	2.7
Energy efficiency level C	%	8.6	8.1	10.4
Energy efficiency level D	%	23.5	23.8	25.1
Energy efficiency level E	%	21.9	22.5	20.5
Energy efficiency level F	%	19.6	18.6	16.9
Energy efficiency level G	%	12.2	12.4	11.6
Energy efficiency level H	%	12.0	12.5	12.5
Total direct greenhouse gas (GHG) emissions (Scope 1)				
Housing portfolio				
Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent[3]	t CO_2e	–	191,963	196,144
Energy indirect (Scope 2) GHG emissions				
Housing portfolio				
Gross location-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only) in metric tons of CO_2 equivalent[3]	t CO_2e	–	112,425	114,887

[1] For the first time, for 2019 and 2020, building energy intensity is determined from the LEG CO_2 footprint, with the entire heating energy consumption of all residential units being deployed, divided by the living space, but adjusted for the average vacancy level per building.

[2] Included are buildings with sustainability certificates and residential building energy clustering in line with the classification specifications of the legislator. Regarding sustainability certificates, reference is made to the energy efficiency certificates required pursuant to Germany's Energy Conservation Ordinance (EnEV) and the classification information applicable in this respect. All energy efficiency certificates for LEG's let property portfolio are included. Properties for which no energy efficiency certificate is required pursuant to EnEV (e. g. properties under heritage protection) and which are therefore not available, are not included. As in the previous year, non-residential buildings and properties sold are not included. The changes are the result of a large number of new or updated energy efficiency certificates (approx. 2.600 in 2020), so that the modernisation measures implemented in recent years are now also reflected in the efficiency classes of the energy efficiency certificates.

[3] For 2019 and 2020, for the first time THG emissions were calculated on the basis of the LEG CO_2 footprint. To do this the actual consumption figures were determined for all residential units and when these were not available (approx. 19%) extrapolated on the basis of the Greenhouse Gas Protocol Standard. Consumption was determined in line with the type of energy, so that there could be a conversion in CO_2 equivalents per energy type on the basis of the conversion factor provided in the BAFA information leaflet.

Key area: society

Neighbourhood development

Outside your own four walls, quality of life with regard to housing is linked to the neighbourhood in which you live. Creating an environment worth living in for our tenants is thus directly related to the issue of sustainable neighbourhood development.

LEG is committed to systematic neighbourhood management. As well as creating stable neighbourhoods, one of LEG's objectives is therefore to help solve social challenges. In addition to the supply of homes and provision of services with regard to demographic change and changing living conditions, this also includes providing housing in urban areas. Especially in light of this, one of our short-term aims is to reduce vacancies. Satisfied residents and full occupancy are proof of and result in stable and attractive neighbourhoods. At the same time, in the long term LEG draws on strategic management concepts combined with investments in modern living standards and in safety, order and cleanliness.

We attach great value to individual neighbourhood management approaches that address the specific challenges faced by the particular residential areas. This requires a broad range of measures that strengthen social cohesion, improve quality of life and create infrastructure for the future, including sensitive occupancy management and housing refugees.

The aim of all new neighbourhood development is to boost management efficiency by promoting potential, selecting individual or various elements of neighbourhood development flexibly and on a bespoke basis for a neighbourhood. This ensures that investments are made systematically and with focus. With its approach to neighbourhood management, LEG aims to strengthen its reputation as a reliable property company/developer and partner to local communities.

By establishing the new foundation "Your Home Helps" at the end of 2019 with endowment assets of EUR 16 million, LEG created a basis in the reporting year to make an even stronger commitment to social responsibility and to significantly step up its efforts to create stable neighbourhoods worth living in and a good environment for people who live in LEG apartments or in the neighbourhood.

Here, too, we set great store by thinking about things from customers' perspective and offering assistance where it is really needed. The foundation supports the expansion of existing social projects, while also helping launch new projects needed in the neighbourhoods. For example, these may be community, education or advisory centres that act as a point of contact for all residents.

Problems are also to be addressed by sustained, long-term social assistance and support services. The foundation will employee its own social managers who collaborate with partners at charities and municipalities and their existing support networks and work locally with residents. Top priorities include help for children living in challenging circumstances, educational support, day-to-day living assistance for seniors, support services for families, and support with illnesses such as addiction.

Neighbourhood and intercultural exchange is promoted by holding joint events, and so tenant parties are an integral part of LEG's neighbourhood management. Each year, LEG programmes bring together tens of thousands of people from all over the world, with trained LEG event managers arranging a wide range of event formats. In 2020, the focus was on Totalr holiday activities for families in line with coronavirus regulations. Tenants also received activity boxes and Easter surprises and courtyard concerts were held during the lockdown for young and old alike.

In addition to providing capital of EUR 16 million for the "Your Home Helps" foundation, LEG invested in numerous other neighbourhood development projects in the reporting year. Neighbourhoods run by all branches benefited from these measures.

In the financial year, the LEG NRW Tenant Foundation established in 2009 set up over 40 charitable and around 80 non-profit projects, providing over EUR 150,000 in funding for social cohesion in our neighbourhoods and the welfare of our tenants.
Not audited by PwC

T52

Key area: society

Key performance indicator(s)	Unit	2018	2019	2020
Operations with local community engagement, impact assessments, and development programs[1]				
Branches that implemented neighbourhood measures in the reporting period	%	100	100	100
Neighbourhood measures implemented	Number	approx. 156	approx. 123	approx. 52
Percentage of cooperation measures	%	31	47	n. a.
Percentage of cooperations with local communities	%	8	10	n. a.

[1] In the year under review, due to corona, there were fewer neighbourhood measures than in previous years. The measures realised were in line with corona regulations. Normally LEG differentiates between the number of cooperation measures and the percentage of cooperations with local communities. Due to corona, this was not possible in the year under review. As a substitute for the cancelled neighbourhood measures, LEG realised measures via the independent LEG NRW Tenant Foundation.

GRI key figures

In order to manage the topics identified as highly material, we gauge our performance with regard to sustainability on the basis of specific key performance indicators. These – and also the key performance indicators from the non-financial report – are shown in the following tables. Unless indicated otherwise, the key performance indicators relate to the financial year in question and the entire LEG Group (i. e. all the fully consolidated companies as per the consolidated annual financial statements). The figures presented here are rounded to one decimal place. As such, there may be minor totalling deviations.

T53

Key area: business

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Scale of the organisation					
Total number of employees[1]	Number	1.314	1.365	1.443	102–7
Total number of operations[2]	Number	8	8	7	
Net sales[3]	€ million	418,6	435	429,8	
Total capitalisation broken down in terms of debt and equity[4]	%	40,7	37,7	37,6	
Quantity of products or services provided[5]	Number of residential units	133.969	134.031	144.530	
Direct economic value generated and distributed					
Direct economic value generated: revenues[6]	€ million	560,2	586,1	627,3	201–1
Economic value distributed[7]	€ million	224,5	243,6	284,0	
CRE sector supplement: payments to government[8]	€ million	5,7	13,2	5,8	
Economic value retained[9]	€ million	335,7	342,5	343,3	
Confirmed incidents of corruption and actions taken					
Total number and nature of confirmed incidents of corruption[10]	Number	0	0	0	205–3
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption[11]	Number	0	0	0	
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption[12]	Number	0	0	0	
Public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such cases	Anzahl	–	–	–	

1 Average number of employees.
2 The total number of operations equates to the seven LEG branch offices.
3 Equates to the revenue from renting and leasing.
4 The figures equate to the so-called loan-to-value ratio, i. e. net debt in relation to the real estate assets.
5 Equates to the number of residential units within the LEG portfolio.
6 Equates to the net rent (excl. utilities and services costs) from renting and leasing.
7 Equates to the expenses from renting and leasing.
8 Equates to net income tax payments in accordance with the statement of cash flows.
9 Equates to the difference between net rent (excl. utilities and service costs) and expenses.
10 Relates to all confirmed cases of corruption, bribery and the granting or receiving of advantages.
11 The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which employees were terminated or warned.
12 The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which contracts with business partners were terminated or not renewed is disclosed.

T53

Key area: business

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices					
Total number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant[1]	Number	0	0	0	206–1
Important events of concluded legal actions, including all decisions and judgements[2]	Number	–	–	–	
Non-compliance with laws and regulations in the social and economic area					
Total monetary value of significant fines[3]	€	0	0	0	307–1; 419–1
Total number of non-monetary sanctions[4]	Number	0	0	0	
Cases brought through dispute resolution mechanisms[5]	Number	0	0	0	
Non-compliance with environmental laws and regulations					
Total monetary value of significant fines[6]	€	0	0	0	307–1
Total number of non-monetary sanctions[4]	Number	0	0	0	
Cases brought through dispute resolution mechanisms[5]	Number	0	0	0	

1 Number of pending and concluded legal actions and cases is disclosed.
2 There were no legal proceedings on the basis of violations of competition law.
3 Fines of EUR 100,000 or more are considered significant.
4 Repressive, i.e. punishing, measures for past misconduct not consisting of a monetary sanction are reported.
5 Dispute resolution mechanisms are reported, i.e. judicial proceedings and out-of-court dispute resolution based on mediation or conciliation.
6 Fines of EUR 100,000 or more are considered significant.

T54

Key area: tenants

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Assessment of the health and safety impacts of product and service categories					
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement[1]	%	97.1	98.5	99.8	416–1
Substantiated complaints concerning breaches of customer privacy and losses of customer data					
Complaints received from outside parties[2], and substantiated by the organisation	Number	0	2	0	418–1
Complaints from regulatory bodies	Number	0	0	2	
Total number of identified leaks, thefts, or losses of customer data[3]	Number	46[4]	72	15	

1 Percentage of LEG portfolio buildings for which safety checks were performed in the year under review is reported. For the remaining buildings, safety precaution checks will be completed at the start of 2021.
2 "Outside parties" refers to any external party.
3 Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation.
4 Reported is the number of reportable breaches of personal data in line with Article 33 EU General Data Protection Regulation. As a result of changed assessment of the risks relating to rights and freedoms of those impacted due to the change in the Data Protection Officer in the 2020 reporting year there were fewer reports to the State Data Protection Officer.

T55

Key area: employees

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Information on employees and other workers					
Total number of employees by employment contract (permanent and temporary) and gender[1]					
Total number of employees	Number	1,380	1,444	1,599	102–8
Of which women	Number	504	521	568	
Of which men	Number	876	923	1,031	
Of which temporary	Number	103	116	124	
Of which women	Number	38	37	48	
Of which men	Number	65	79	76	
Total number of employees by employment type (full-time and part-time) and gender[2]					
Full-time	Number	817	874	950	
Of which women	Number	320	343	374	
Of which men	Number	497	531	576	
Part-time	Number	187	159	183	
Of which women	Number	153	135	144	
Of which men	Number	34	24	39	
Collective agreements					
Percentage of employees covered by LEG collective agreements[3]	%	66.1	64.9	64.9	102–41
New employee hires and employee turnover					
Total number and rate of new employee hires during the reporting period by age group gender and region[4]					401–1
Total	Number	119	144	176	
Rate	%	11.9	13.9	15.5	
Total number and rate of employee turnover during the reporting period by age group gender and region[5]					
Total	Number	91	120	85	
Rate	%	9.1	11.6	7.5	
Work-related illnesses					
Absence rate[6]	%	6.8[7]	6.5	4.9	403–10

[1] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The temporary employment figures do not include trainees or the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. and LWS Plus GmbH. Included are the 31 employees of LWS Plus GmbH which was included in consolidation in October 2020.
[2] The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date, employees with no further claim to insurance benefits and trainees. The employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
[3] Managerial employees and employees not covered by collective agreements are not included LEG collective agreements. Employees with no further claim to insurance benefits, trainees and students are not included in the calculation.
[4] Trainees, casual workers and students and new employee hires at TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included. A further breakdown of the figures is not possible at this time.
[5] The departure of trainees, casual workers and students, and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included. A further breakdown of the figures is not possible at this time.
[6] An absence rate for LEG is determined. This excludes TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH as these are not settled via the SAP system. Casual workers, employees with no further claim to insurance benefits, trainees and students are not included in the calculation. Days absent is divided by total possible days.
[7] Not audited by PwC.

T55

Key area: employees

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Work-related injuries					
Number of employees					403–9
Deaths resulting from work-related injuries[1]					
Number	Number	0[2]	0	0	
Rate	%				
Work-related injuries with severe consequences (excluding deaths)					
Number	Number	0[2]	0	0	
Rate					
Documented work-related injuries[3]					
Number	Number	20[2]	28	28	
Rate[4]			4.35	4.02	
Most important types of work-related injuries[5]					
Hours worked[6]	Number		1,285,892	1,391,850	
Staff who are not employees but whose work and/or working place is controlled by the organisation[7]					
Deaths resulting from work-related injuries					
Number	Number				
Rate	%				
Work-related injuries with severe consequences (excluding deaths)					
Number	Number				
Rate	%				
Documented work-related injuries					
Number	Number				
Rate	%				
Most important types of work-related injuries					
Hours worked	Number				
Average hours of training per year per employee[8]					
Number of employees who participated in a seminar or other training measure during the reporting period	Number	539	553	750	404–1
Cumulative number of seminar days in the reporting period	Number	1,630	1,400	2,750	

1 For work-related injuries the electronic first-aid log is assessed together with the accident notifications to the Employer's Liability Insurance Association. Not included are TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG.
2 Not audited by PwC.
3 The absolute number of first-aid log entries stagnates with more hours. What is striking is the accumulation of smaller injuries, something which indicates a good use of the first-aid log. Not included are the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH
4 The rate is based on 200.000 working hours.
5 2020: accidents as a result of tripping/falls (12), cuts (5), psychological stress (3), impact injuries (2), bruises (2), abrasion (1), uncontrolled moving parts (1), attacks by humans (1), forced posture (1).
6 Employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included.
7 There are no surveys on this matter.
8 The employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included. A breakdown by gender and type of employee is not possible at this time.

T55

Key area: employees

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Percentage of employees receiving regular performance and career development reviews					
Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period[1]	%	72.2	50.3	82.8	404–3
Diversity of governance bodies and employees					
Percentage breakdown of people in governance bodies by:					405–1
Gender[2]					
Women	%	16.7	16.7	16.7	
Men	%	83.3	83.3	83.3	
Age					
Under 30 years old	%	0	0	0	
30–50 years old	%	16.7	16.7	16.7	
Over 50 years old	%	83.3	83.3	83.3	
Percentage of employees per employee category by:					
Gender[3]					
LEG total					
Women	%	47.1	46.3	45.7	
Men	%	52.9	53.7	54.3	
LEG Wohnen					
Women	%	45.7	44.6	43.8	
Men	%	54.3	55.4	56.2	
LEG management					
Women	%	56.3	61.1	60.2	
Men	%	43.7	38.9	39.8	
Specialist companies					
Women	%	33.3	27.4	28.6	
Men	%	66.7	72.6	71.4	
Age[4]					
LEG total					
Under 30 years old	%	12.5	10.7	12.3	
30–50 years old	%	48.3	50.8	49.5	
Over 50 years old	%	39.2	38.5	38.3	

[1] Not included are employees of TechnikServicePlus GmbH, EnergieServicePlus, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH apprentices, casual workers, students, trainees, employees with no further claim to insurance benefits, employees on parental leave and in the passive stage of partial retirement. A breakdown by gender and type of employee is not possible at this time.
[2] The figures relate to the six members of the Supervisory Board.
[3] Employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), employees with no further claim to insurance benefits, trainees and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.
[4] Employees in the passive stage of partial retirement, apprentices, trainees, students, casual workers and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.

T55

Key area: employees

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Diversity of governance bodies and employees					
Age[1]					
LEG Wohnen					
Under 30 years old	%	13.2	11.9	13.6	
30–50 years old	%	47.9	49.8	48.5	
Over 50 years old	%	38.9	38.3	37.9	
LEG management					
Under 30 years old	%	12.2	6.3	8.2	
30–50 years old	%	51.1	56	51.5	
Over 50 years old	%	36.7	37.7	40.4	
Specialist companies					
Under 30 years old	%	6.2	8.6	7.3	
30–50 years old	%	47.7	50	53.7	
Over 50 years old	%	46.2	41.4	39.0	

[1] Employees in the passive stage of partial retirement, apprentices, employees with no further claim to insurance benefits, trainees, students, casual workers and the employees of TechnikServicePlus GmbH, Biomasse Heizkraftwerk Siegerland GmbH & Co. KG and LWS Plus GmbH are not included.

T56

Key area: environment

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Energy consumption within the organisation (administrative offices)					
Fuel consumption from non-renewable sources[1]					302–1
Diesel	MWh	969	867	669.7[2]	
Regular petrol	MWh	20	12	5.6[2]	
Premium petrol	MWh	427	656	506.4[2]	
Heating oil	MWh	1,936	1,104	7,414	

[1] The figures relate to LEG's vehicle fleet and company cars with the exception of TechnikServicePlus GmbH. Energy consumption was calculated on the basis of the respective fuel consumption levels. Business trips taken for LEG by LEG employees in their own vehicles are not included. The clear decline of fuel consumption resulted from corona-related lower driving activity. Consumption for the three electric vehicles cannot be determined for 2020, because the charging stations were invoiced via the total electricity settled for the Düsseldorf and Dortmund locations. For 2021, automatic settlement is planed with our lessor, making it possible to determine the charging costs precisely. The heating oil position records solely the waste wood consumption of Biomasse Heizkraftwerk Siegerland. The impact of the corona pandemic on the fuel market was neither foreseeable nor could it be planned. As a result, over a four-week period heating oil had to be used in the power plant as an additional fuel to ensure secure operation during the corona lockdown. This resulted in considerably higher heating oil consumption in 2020.

[2] 2020 rounded to one decimal place for the first time.

T56

Key area: environment

Key performance indicator(s)	Unit	2018	2019	2020	2018 lfl	2019 lfl	GRI Standards
Energy consumption within the organisation (administrative offices)							
Fuel consumption from renewable sources[1]	MWh	436,872	319,500	433,688			302–1
Electricity consumption[2]	MWh	56	57	1,279			
Heating energy consumption[2]	MWh	1,004	1,019	1,852			
Electricity sold[3]	MWh	95,307	70,820	100,908			
Heating sold[4]	MWh	2,223	2,306	2,495			
Standards, methodologies, assumptions, and/or calculation tools used[5]							
Source of the conversion factors used[6]							
Energy consumption outside the organisation (housing portfolio)							
Total electricity consumption (communal areas)[7]	MWh	21,268.7	20,690.5	–	20,840.9	20,181.2	302–2
Bergkamen	MWh	2,739.4	2,536.9	–	2,737.0	2,528.8	
Dortmund	MWh	2,965.9	3,104.2	–	2,954.9	3,063.0	
Duisburg	MWh	2,175.1	1,919.9	–	2,086.6	1,879.0	
Dusseldorf	MWh	4,330.5	4,340.6	–	4,330.5	4,328.9	
Gelsenkirchen	MWh	2,056.5	1,651.8	–	1,978.1	1,651.8	
Cologne	MWh	3,752.2	3,880.8	–	3,569.7	3,862.6	
Westphalia	MWh	3,249.1	3,256.3	–	3,184.1	2,867.1	

1 As the proportion of total diesel/premium-grade fuel attributable to biodiesel/bioethanol cannot be determined, this is not reported separately here. Therefore, only the waste wood consumption of Biomasse Heizkraftwerk Siegerland is disclosed here.
2 From 2020, all administration buildings were reported. Information was provided from eleven locations, both internally and externally rented properties. In previous years only consumption of the headquarters in Düsseldorf was reported.
3 This figure relates exclusively to the electricity fed into the public grid by Biomasse Heizkraftwerk Siegerland. In 2019, the co-generation plant was not in operation for almost three months due to a major overhaul of the turbines. As a result, electricity fed into the public grid in 2019 was considerably lower.
4 This figure relates exclusively to the district heating supplied by Biomasse Heizkraftwerk Siegerland.
5 Unless stated otherwise, the information relates to the whole year for the companies of the LEG Immobilien Group that hold personnel or properties and are directly or indirectly involved in the administration of LEG's residential real estate (incl. management companies).
6 In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from the Germany Federal Environment Agency were used.
7 The consumption figures relate largely to the electricity costs for the communal areas (e. g. stairwells) – not including large commercial properties – in relation to the portfolio properties of the fully consolidated portfolio companies as of 31 December 2019 and 31 December 2018. The volumes consumed in 2020 can be calculated only in the course of 2021 subsequent to the editorial deadline for this non-financial declaration. The figures do not include economic units consisting of mixed-use tenant privatisation rental properties and billing periods during the year. The tenants' electricity consumption volumes within their apartments (e. g. room lighting) are not included – these are billed directly to the tenants by the utilities. In 2019, electricity consumption was collected for approximately 97 % of the portfolio (2018: 97 %). Restricted comparability due to an adjustment of the calculation method. For 2018, the consumption figures were extrapolated from the booked costs on the basis of samples. The 2019 consumption figures are based partly on measured data and partly on extrapolations from the booked costs on the basis of samples. For the first time, all figures were reported on the basis of the new branch office structure.

T56

Key area: environment

Key performance indicator(s)	Unit	2019	2020	GRI Standards
Energy consumption outside the organisation (housing portfolio)				
Total heating energy consumption (rental units)[1]	MWh	1,306,781.3	1,333,074.5	302–2
Of which natural gas	MWh	843,924.4	860,823.9	
Bergkamen	MWh	143,570.3	145,736.7	
Dortmund	MWh	105,488.3	105,729.5	
Duisburg	MWh	101,470.3	106,101.4	
Dusseldorf	MWh	118,919.8	119,481.5	
Gelsenkirchen	MWh	62,096.7	63,425.2	
Cologne	MWh	149,554.2	156,662.9	
Westphalia	MWh	162,824.8	162,634.8	
External management	MWh	–	1,052.0	
Of which heating oil	MWh	49,582.8	49,802.1	
Bergkamen	MWh	7,713.4	7,926.5	
Dortmund	MWh	4,532.8	4,559.9	
Duisburg	MWh	1,881.7	2,239.8	
Dusseldorf	MWh	6,708.0	6,758.0	
Gelsenkirchen	MWh	440.1	567.6	
Cologne	MWh	15,565.9	15,522.6	
Westphalia	MWh	12,740.8	12,134.2	
External management	MWh	–	93.5	
Of which district heating	MWh	371,254.0	380,955.0	
Bergkamen	MWh	58,071.3	59,561.9	
Dortmund	MWh	70,109.4	67,940.9	
Duisburg	MWh	25,046.9	27,745.0	
Dusseldorf	MWh	68,495.1	68,852.1	
Gelsenkirchen	MWh	70,256.8	71,168.7	
Cologne	MWh	23,177.9	27,706.1	
Westphalia	MWh	56,096.6	57,311.6	
External management	MWh	–	668.7	

[1] For 2019, for the first-time heating energy consumption was recorded in the context of an extensive climate/CO_2 footprint. In doing so, all residential units were included for the first time. For the KPI Building-Intensity, there was also a vacancy adjustment for the rental area. 81% of current data were determined, with the missing 19% extrapolated at property level on the basis of the Greenhouse Gas Protocol Standard (also with previous-year data, in line with the valid energy efficiency certificates or the building age cluster). In doing so, not only data provided by LEG was used, but also 23% of actual consumption was provided by utilities at property level. There was also a breakdown by energy type, so that it was also possible to determine a CO_2 footprint per energy type. At branch office level, the three main energy types of natural gas, heating oil and district heating are shown. There are also other heating types such as electricity and coal. As no energy data were yet available at the time the reporting for the 2020 financial year took place, the figures for 2020 were extrapolated on the basis of the 2019 data, adjusted for additions and disposals, i.e. taking account of LEG portfolio changes. In addition, many additions have not been allocated to a LEG branch office which manages rental agreements, As a result, many additions are still administered by external managers while the contracts are still in place or have not yet been terminated.

T56

Key area: environment

Key performance indicator(s)	Unit	2018	2019	2020	2018 lfl	2019 lfl	GRI Standards
Energy consumption outside the organisation (housing portfolio)							
Building energy intensity[1]	kWh/m² a	–	157.7	157.5	–	–	
Type and number of sustainability certification							
Percentage of residential buildings by energy efficiency certificates[2]							
Energy efficiency level A+	%	0.02	0.09	0.07	–	–	
Energy efficiency level A	%	0.3	0.4	0.2	–	–	
Energy efficiency level B	%	1.8	1.7	2.7	–	–	
Energy efficiency level C	%	8.6	8.1	10.4	–	–	
Energy efficiency level D	%	23.5	23.8	25.1	–	–	
Energy efficiency level E	%	21.9	22.5	20.5	–	–	
Energy efficiency level F	%	19.6	18.6	16.9	–	–	
Energy efficiency level G	%	12.2	12.4	11.6	–	–	
Energy efficiency level H	%	12.0	12.5	12.5	–	–	
Water withdrawal by source (housing portfolio)[3]							
Total volume of water withdrawn	m³	4,321,156.3	4,421,713.5	–	4,221,685.0	4,292,080.9	
Building water intensity	m³/m²	1.1	1.1	–	1.1	1.1	

[1] For the first time, for 2019 and 2020, building energy intensity is determined from the LEG CO_2 footprint, with the entire heating energy consumption of all residential units being deployed, divided by the living space, but adjusted for the average vacancy level per building.
[2] Included are buildings with sustainability certificates and residential building energy clustering in line with the classification specifications of the legislator. Regarding sustainability certificates, reference is made to the energy efficiency certificates required pursuant to Germany's Energy Conservation Ordinance (EnEV) and the classification information applicable in this respect. All energy efficiency certificates for LEG's let property portfolio are included. Properties for which no energy efficiency certificate is required pursuant to EnEV (e. g. properties under heritage protection) and which are therefore not available, are not included. As in the previous year, non-residential buildings and properties sold are not included. The changes are the result of a large number of new or updated energy efficiency certificates (approx. 2,600 in 2020), so that the modernisation measures implemented in recent years are now also reflected in the efficiency classes of the energy efficiency certificates.
[3] Only water withdrawal (fresh water consumption) by municipal water supply companies and other public or private waterworks is presented here, as other sources are not relevant. The water consumption volumes are based on fully consolidated rental properties (commercial, residential) as of 31 December 2019 and 31 December 2018 for which the item cold and/or hot water was recorded or allocated to the tenants separately from waste water on the basis of their consumption, as part of integrated billing. This related to 61,065 residential and commercial properties in 2019 (2018: 59,450). Volumes consumed in billing periods during the year and volumes which are attributable to LEG large commercial units are not taken into account. The figures additionally do not include the volumes of water consumed by economic units consisting of mixed-use tenant privatisation rental properties. The like-for-like analysis encompasses 58,250 rental properties. The volumes consumed in 2020 can be calculated only in the course of 2021 subsequent to the editorial deadline for this sustainability report.

T56

Key area: environment

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Total direct greenhouse gas (GHG) emissions (Scope 1)					
Administrative offices					305–1
Gross direct (Scope 1 emissions in metric tons of CO_2 equivalent[1]	t CO_2e	886	696	2,424	
Biogenic CO_2-emissions in metric tons of CO_2-equivalent[2]	t CO_2e	55,203	41,268	56,954	
Total direct greenhouse gas (GHG) emissions (Scope 1)					
Housing portfolio					305–1
Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent[3]	t CO_2e	–	191,963	196,144	
Biogenic CO_2-emissions in metric tons of CO_2-equivalent[4]	t CO_2e	–	–	–	
Energy indirect (Scope 2) GHG emissions					
Administrative offices					305–2
Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent[5]	t CO_2e	245	249	323	
Energy indirect (Scope 2) GHG emissions					
Housing portfolio					305–2
Gross location-based energy indirect (Scope 2) GHG emissions for communal areas (electricity only) in metric tons of CO_2-equivalent[6]	t CO_2e	10,081	1,244	–	
Gross location-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only) in metric tons of CO_2 equivalent[7]	t CO_2e	–	112,425	114,887	
Waste by type and disposal method					
Administrative offices					
Total weight of hazardous waste[8]	t	–	–	–	
Total weight of non-hazardous waste[9]	t	77.3	77.3	1,349.15	

1 Figures relate exclusively to the aforementioned energy consumption volumes. Only CO_2 emissions were considered in the calculation of GHG emissions. In general, publicly accessible sources were used for the conversion factors. The CO_2 emission figures for fleet vehicles and company cars were supplied directly by the billing company. Business trips taken for LEG by LEG employees in their own vehicles are not included. In 2019 the Siegerland biomass co-generation plant was not in operation for almost three months due to a major overhaul of the turbines. As a result, in 2019 the GHG emissions were lower than in the previous year. In 2020, heating oil was used as an additional fuel in the Biomasse Heizkraftwerk Siegerland. Thus THG emissions in 2020 were correspondingly high. In addition, in 2020 for the first-time emissions are included which result from the gas consumption of the administration buildings.

2 The CO_2-emissions equivalent for electricity generation and district heating is taken into account, less the direct CO_2-emissions caused by heating oil combustion for Biomasse Heizkraftwerk Siegerland. In 2019, the co-generation plant was not in operation for almost three months due to a major overhaul of the turbines. As a result biogenic CO_2 emissions in 2019 were lower.

3 For 2019 and 2020, for the first time THG emissions were calculated on the basis of the LEG CO_2 footprint. To do this the actual consumption figures were determined for all residential units and when these were not available (approx. 19 %) extrapolated on the basis of the Greenhouse Gas Protocol Standard. Consumption was determined in line with the type of energy, so that there could be a conversion in CO_2 equivalents per energy type on the basis of the conversion factor provided in the BAFA information leaflet.

4 Due to the selective use of renewable energies, there are no significant CO_2 equivalents for biogenic CO_2 emissions.

5 In 2018 and 2019, emissions were reported only for the headquarters in Düsseldorf. In 2020, emissions were recorded for all administrative buildings. In general, publicly accessible sources were used for the conversion factors.

6 Figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors, in particular the German Federal Environment Agency publication "Development of the Specific Carbon Dioxide Emissions of the German Electricity Mix between 1990 and 2019". In 2019, emissions were considerably reduced by the transition of a large part to electricity from renewable energies (obtaining certifications of origin).

7 For 2019 and 2020, for the first time THG emissions were calculated on the basis of the LEG CO_2 footprint. To do this the actual consumption figures were determined for all residential units and when these were not available (approx. 19 %) extrapolated on the basis of the Greenhouse Gas Protocol Standard. Consumption was determined in line with the type of energy, so that there could be a conversion in CO_2 equivalents per energy type on the basis of the conversion factor provided in the BAFA information leaflet.

8 Hazardous waste is generated in the course of renovating and modernising buildings and apartments. However, the exact volume is not recorded, as LEG has such little economic, legal, organisational or any other influence over the waste-generating activities of its contractor that LEG does not qualify as the waste generator within the meaning of waste legislation.

9 From 2020, all administration buildings were reported. Information was provided from eleven locations, both internally and externally rented properties.

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Key area: environment

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Waste by type and disposal method					
Housing portfolio					
Total weight of hazardous waste[1]		–	–	–	
Total weight of non-hazardous waste[2]					
Residual waste	t	18,074.1	17,126.8	17,959.4	
Recyclable materials (lightweight packaging, Green Dot materials)	t	1,811.7	1,740.2	1,885.9	
Paper, card, cardboard packaging	t	7,335.8	7,188.9	8,585.9	
Biodegradable waste	t	919.0	916.4	1,109.5	
Total weight of hazardous and non-hazardous waste[3]	–	–	–	–	

[1] Hazardous waste is generated in the course of renovating and modernising buildings and apartments. However, the exact volume is not recorded, as LEG has such little economic, legal, organisational or any other influence over the waste-generating activities of its contractor that LEG does not qualify as the waste generator within the meaning of waste legislation.

[2] Data of a service provider that acts as the waste manager for approximately a third of LEG's total portfolio is reported. This company managed approximately 29 % (41,805 rental properties) of the LEG portfolio in 2020 (2019: approximately 29 % or 39,141 rental properties). The volumes of the waste containers provided by LEG were assessed. These volumes do not correspond to the waste containers' actual filled volumes. Additionally, these figures do not correspond to the actual volume of waste generated as a proportion of the waste is disposed of in public containers (for example, public waste paper containers). The volumes are converted into weights based on general conversion factors for the various types of waste. 10 % was added to these conversion factors across the board as the waste containers hold an above-average volume of waste due to the service provider's active waste management. Biodegradable waste is not included as there is no active waste management in this area (conversion factors – residual waste: 0.11 t/m³; recyclable materials: 0.033 t/m³; paper, card, cardboard packaging: 0.22 t/m³; biodegradable waste: 0.25 t/m³).

[3] N.a., as there is no data for hazardous waste.

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Key area: society

Key performance indicator(s)	Unit	2018	2019	2020	GRI Standards
Operations with local community engagement, impact assessments, and development programs[1]					
Branches that implemented neighbourhood measures in the reporting period	%	100	100	100	413–1
Neighbourhood measures implemented	Number	approx. 156	approx. 123	approx. 52	
Percentage of cooperation measures	%	31	47	n. a.	
Percentage of cooperations with local communities	%	8	10	n. a.	

[1] In the year under review, due to corona, there were fewer neighbourhood measures than in previous years. The measures realised were in line with corona regulations. Normally LEG differentiates between the number of cooperation measures and the percentage of cooperations with local communities. Due to corona, this was not possible in the year under review. As a substitute for the cancelled neighbourhood measures, LEG realised measures via the independent LEG NRW Tenant Foundation.

Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was founded by the Financial Stability Board to develop a common framework for reporting on environmental risks and opportunities. Its focus is disclosing financial risks to which the company sees itself exposed as a result of climate change. We regard the TCFD recommendation as a meaningful addition to our previous reporting, especially with its forward-looking elements.

As a supplement to reporting in line with GRI, we are establishing a reference to the TCFD recommendations. In view of the increasing importance of climate change, we are aiming to provide extensive reporting in line with TCFD so as to disclose how to deal with environmental risks and opportunities in a clear fashion.

This year's reporting already includes some information within the core areas of governance, strategy and risk management recommended by TCFD as well as key figures and targets. The table below refers to the relevant contents in this annual report 2020 – also in the separate non-financial report – on our website and in the sustainability report 2019. The extensive 2020 Sustainability Report appears in May 2021.

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TCFD requirements	2019 Sustainability Report (extensive 2020 Sustainability Report appears in May 2021)	Annual report 2020	Non-financial report 2020	Website
Governance: The company's organisational structure with regard to climate-related risks and opportunities	Chapter "Managing sustainability efficiently and reliably" Chapter "Sustainability Roadmap 2023" Chapter "Key area: Environment" (section "Responsibility for target attainment assigned")	Chapter Risks, Opportunities and Forecast Report (section Governance, Risk & Compliance), p. 62	Chapter "Key area: business", section "Sustainable growth and resilience" Organisation of Sustainability Management at LEG, p. 98 f.	LEG website "Sustainability" **www.leg-wohnen.de/en/corporation/sustainability** LEG declaration of fundamental values **www.leg-wohnen.de/en/corporation/corporate-governance/compliance-at-leg/declaration-of-fundamental-values-of-leg** Compliance at LEG **www.leg-wohnen.de/en/corporation/corporate-governance/compliance-at-leg** Rules of Procedure for the Supervisory Board Rules of Procedure for the Management Board **www.leg-wohnen.de/fileadmin/dateien/02_Unternehmen/LEG-Gruppe/Vorstand_und_Aufsichtsrat**
Strategy: The present and potential impact of climate-related risks and opportunities on business, strategy and financial planning	Chapter "Managing sustainability efficiently and reliably" (materiality analysis, sustainability strategy)		Chapter "Notes on contents of report and framework", section "Material aspects" p. 95 f.	LEG website "Current downloads, Q3-2020, Presentation Q3 results" **www.leg-wohnen.de/fileadmin/dateien/02_Unternehmen/Investor_Relations/Finanzberichte/englisch/LEG_Q3_2020_EN.pdf**

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TCFD requirements	2019 Sustainability Report (extensive 2020 Sustainability Report appears in May 2021)	Annual report 2020	Non-financial report 2020	Website
Risk Management: The processes for identifying, assessing and managing climate-related risks		Chapter Risks, opportunities and forecast report (section "Risk categorisation"), p. 66[1] "The main risk category sustainability risks" was integrated for the first time and will act as the interface to the LEG sustainability report in future. There are not currently any sustainability risks subject to reporting requirements." Chapter "Non-financial report"; section "Risk assessment", p. 97: "The LEG Group management does not believe that there are any non-financial risks that meet materiality criteria under section 289c (3) no. 3 and 4 HGB after taking account of risk mitigation measures." For recorded transitory or physical environmental risks, refer to the ability to pass on CO_2 levy in the category Legal risks/risks posed by legislative changes and in the category Property risks/Modernisation/Maintenance (dry cracks on buildings as a result of climate change)." Extensive information on the CO_2 levy in the Chapter "Risks, Opportunities and Forecast Report" on p. 67	Chapter "Notes on contents of report and framework", section "Risk assessment", p. 97	
Key indicators and targets: The key figures and targets used to assess and manage relevant climate-related risks and opportunities	Chapter "Sustainability Roadmap 2023" Chapter Environment (Section: Making good progress toward target attainment); GRI 103-2		Chapter "Non-financial report"; section "Risk assessment", p. 97: No non-financial risks identified that meet materiality criteria under section 289c (3) no. 3 and 4 HGB after taking account of risk mitigation measures.	

[1] Presentation of general opportunities and risks from modernisation and regulations relating to environmental policy – a risk and opportunity report on the basis of various climate scenarios is currently being planned.

5

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

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Assets

€ million	Notes	31.12.2020	31.12.2019
Non-current assets		**14,847.6**	**12,353.8**
Investment properties	E.1	14,582.7	12,031.1
Prepayments on investment properties		43.3	53.5
Property, plant and equipment	E.2	86.3	83.7
Intangible assets and goodwill	E.3	102.4	140.6
Investments in associates		10.2	9.9
Other financial assets	E.4	15.1	23.2
Receivables and other assets	E.5	0.2	0.3
Deferred tax assets	E.13	7.4	11.5
Current assets		**413.1**	**540.8**
Real estate inventory and other inventory		7.2	4.6
Receivables and other assets	E.5	64.4	81.8
Income tax receivables	E.13	6.1	3.2
Cash and cash equivalents	E.6	335.4	451.2
Assets held for sale	E.7	**21.6**	**25.2**
Total assets		**15,282.3**	**12,919.8**

Equity and liabilities

€ million	Notes	31.12.2020	31.12.2019
Equity	E.8	**7,389.9**	**5,933.9**
Share capital		72.1	69.0
Capital reserves		1,553.1	1,202.2
Cumulative other reserves		5,740.4	4,638.7
Equity attributable to shareholders of the parent company		7,365.6	5,909.9
Non-controlling interests		24.3	24.0
Non-current liabilities		**7,028.2**	**6,511.0**
Pension provisions	E.9	157.3	164.9
Other provisions	E.10	7.3	5.2
Financing liabilities	E.11	5,377.7	4,856.8
Other liabilities	E.12	129.9	152.8
Deferred tax liabilities	E.13	1,356.0	1,331.3
Current liabilities		**864.2**	**474.9**
Pension provisions	E.9	6.7	7.0
Other provisions	E.10	27.8	20.2
Provisions for taxes		0.1	0.2
Financing liabilities	E.11	491.3	197.1
Other liabilities	E.12	325.9	239.2
Tax liabilities		12.4	11.2
Total equity and liabilities		**15,282.3**	**12,919.8**

Consolidated statement of comprehensive income

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€ million	Notes	01.01.–31.12.2020	01.01.–31.12.2019
Net rental and lease income	F.2	**429.8**	**435.0**
Rental and lease income		860.8	809.4
Cost of sales in connection with rental lease income		–431.0	–374.4
Net income from the disposal of investment properties	F.3	**–1.3**	**–1.3**
Income from the disposal of investment properties		48.2	195.3
Carrying amount of the disposal of investment properties		–48.4	–195.5
Cost of sales in connection with disposed investment properties		–1.1	–1.1
Net income from the remeasurement of investment properties	F.4	**1,170.4**	**923.4**
Net income from the disposal of real estate inventory		**–1.5**	**–0.8**
Income from the real estate inventory disposed of		–	2.9
Carrying amount of the real estate inventory disposed of		–	–1.4
Costs of sales of the real estate inventory disposed of		–1.5	–2.3
Income from other services	F.5	**4.2**	**3.3**
Income from other services		12.2	9.5
Expenses in connection with other services		–8.0	–6.2
Administrative and other expenses	F.6	**–66.4**	**–66.1**
Other income		**0.1**	**0.5**
Operating earnings		**1,535.3**	**1,294.0**
Interest income		1.9	0.5
Interest expenses	F.7	–102.2	–153.1
Net income from investment securities and other equity investments		3.5	5.8
Net income from associates		0.3	0.2
Net income from the fair value measurement of derivatives	F.8	–43.8	–96.1
Earnings before income taxes		**1,395.0**	**1,051.3**
Income taxes	F.9	–30.5	–230.2
Net profit or loss for the period		**1,364.5**	**821.1**
Change in amounts recognised directly in equity		**–4.2**	**–32.0**
Thereof recycling			
Fair value adjustment of interest rate derivatives in hedges		**–7.1**	**–14.1**
Change in unrealised gains/(losses)		–7.6	–17.4
Income taxes on amounts recognised directly in equity		0.5	3.3
Thereof non-recycling			
Actuarial gains and losses from the measurement of pension obligations		**2.9**	**–17.9**
Change in unrealised gains/losses		4.4	–25.3
Income taxes on amounts recognised directly in equity		–1.5	7.4
Total comprehensive income		**1,360.3**	**789.1**
Net profit or loss for the period attributable to:			
Non-controlling interests		3.3	3.9
Parent shareholders		1,361.2	817.2
Total comprehensive income attributable to:			
Non-controlling interests		3.3	3.9
Parent shareholders		1,357.0	785.2
Earnings per share (basic) in €	**F.10**	**19.33**	**12.61**
Earnings per share (diluted) in €	**F.10**	**18.67**	**12.52**

See > section E.8 of the notes.

Statement of changes in consolidated equity

T61

€ million	Share capital	Capital reserves	Cumulative other reserves: Revenue reserves	Cumulative other reserves: Actuarial gains and losses from the measurement of pension obligations	Cumulative other reserves: Fair value adjustment of interest derivatives in hedges	Equity attributable to shareholders of the Group	Non controlling interests	Consolidated equity
As of 01.01.2019	**63.2**	**611.2**	**4,131.4**	**–35.1**	**–13.1**	**4,757.6**	**26.3**	**4,783.9**
First-time adoption IFRS 9	–	–	–4.6	–	–	–4.6	–	–4.6
As of 01.01.2019 adjusted	**63.2**	**611.2**	**4,126.8**	**–35.1**	**–13.1**	**4,753.0**	**26.3**	**4,779.3**
Net profit or loss for the period	–	–	817.2	–	–	817.2	3.9	821.1
Other comprehensive income (OCI)	–	–	–	–17.9	–14.1	–32.0	0.0	–32.0
Total comprehensive income	**–**	**–**	**817.2**	**–17.9**	**–14.1**	**785.2**	**3.9**	**789.1**
Change in consolidated companies	–	–	–	–	–	–	6.8	6.8
Capital increase	5.8	591.0	–	–	–	596.8	–	596.8
Other	–	–	–22.2	–	–	–22.2	–4.6	–26.8
Withdrawals from reserves	–	–	–	–	–	–	–2.5	–2.5
Change in put options	–	–	20.2	–	–	20.2	–	20.2
Distributions	–	–	–223.1	–	–	–223.1	–5.9	–229.0
As of 31.12.2019	**69.0**	**1,202.2**	**4,718.9**	**–53.0**	**–27.2**	**5,909.9**	**24.0**	**5,933.9**
As of 01.01.2020	**69.0**	**1,202.2**	**4,718.9**	**–53.0**	**–27.2**	**5,909.9**	**24.0**	**5,933.9**
Net profit or loss for the period	–	–	1,361.2	–	–	1,361.2	3.3	1,364.5
Other comprehensive income (OCI)	–	–	–	2.9	–7.1	–4.2	0.0	–4.2
Total comprehensive income	**–**	**–**	**1,361.2**	**2.9**	**–7.1**	**1,357.0**	**3.3**	**1,360.3**
Change in consolidated companies	–	–	–	–	–	–	–	–
Capital increase	3.1	350.9	–	–	–	354.0	–	354.0
Other	–	–	1.7	–	–	1.7	–	1.7
Withdrawals from reserves	–	–	–	–	–	–	–3.0	–3.0
Change in put options	–	–	–	–	–	–	–	–
Distributions	–	–	–257.0	–	–	–257.0	–	–257.0
As of 31.12.2020	**72.1**	**1,553.1**	**5,824.8**	**–50.1**	**–34.3**	**7,365.6**	**24.3**	**7,389.9**

See > section E.8 of the notes.

Consolidated statement of cash flows

T62

€ million	01.01.–31.12.2020	01.01.–31.12.2019
Operating earnings	**1,535.3**	**1,294.0**
Depreciation on property, plant and equipment and amortisation on intangible assets	84.4	16.2
(Gains)/Losses from the remeasurement of investment properties	–1,170.4	–923.4
(Gains)/Losses from the disposal of assets held for sale and investment properties	0.2	0.2
(Decrease)/Increase in pension provisions and other non-current provisions	–1.4	–2.1
Other non-cash income and expenses	10.5	5.6
(Decrease)/Increase in receivables, inventories and other assets	–7.5	9.0
Decrease/(Increase) in liabilities (not including financing liabilities) and provisions	–41.8	7.5
Interest paid	–80.6	–79.0
Interest received	0.1	0.3
Received income from investments	3.1	3.1
Income taxes received	2.9	0.4
Income taxes paid	–8.7	–13.6
Net cash from/(used in) operating activities	**326.1**	**318.2**
Cash flow from investing activities		
Investments in investment properties	–1,375.1	–371.4
Proceeds from disposals of non-current assets held for sale and investment properties	48.7	195.2
Investments in intangible assets and property, plant and equipment	–15.6	–9.7
Acquisition of shares in consolidated companies	–20.2	–248.7
Change of cash investment in securities	30.0	–54.5
Net cash from/(used in) investing activities	**–1,332.2**	**–489.1**
Cash flow from financing activities		
Borrowing of bank loans	403.4	406.2
Repayment of bank loans	–190.2	–659.4
Repayment of lease liabilities	–11.0	–10.7
Capital increase	269.6	–
Issue of registered bonds	50.0	100.0
Issue of corporate bonds/convertible bonds	544.0	800.0
Acquisition of minority shares	–	–17.5
Distribution to minorities	–1.8	–7.7
Distribution to shareholders	–172.4	–223.1
Other payments	–1.3	–
Other proceeds	–	0.7
Net cash from/(used in) financing activities	**890.3**	**388.5**
Change in cash and cash equivalents	**–115.8**	**217.6**
Cash and cash equivalents at beginning of period	451.2	233.6
Cash and cash equivalents at end of period	**335.4**	**451.2**
Composition of cash and cash equivalents		
Cash in hand, bank balances	335.4	451.2
Cash and cash equivalents at end of period	**335.4**	**451.2**

See > section G of the notes.

Notes

A. General information on the consolidated financial statements of LEG Immobilien AG

1 | Basic information on the Group

LEG Immobilien AG, Dusseldorf (hereinafter: "LEG Immo"), its subsidiary LEG NRW GmbH, Dusseldorf (hereinafter: "LEG") and the subsidiaries of the latter company (hereinafter referred to collectively as the "LEG Group") are among the largest residential companies in Germany. The LEG Group held a portfolio of 145,876 (31 December 2019: 135,303) residential and commercial units on 31 December 2020 (145,671 (31 December 2019: 134,958) units excluding IFRS 5 objects).

The LEG Group engages in three core activities as an integrated property company: the optimisation of the core business, the expansion of the value chain as well as the portfolio strengthening.

These consolidated financial statements were approved for publication by LEG Immo's Management Board on 8 March 2021.

2 | Consolidated financial statements

The consolidated financial statements of the LEG Immo as at 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as applicable in the European Union. The consolidated financial statements have been prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002, concerning the application of international accounting standards in conjunction with section 315e(1) of the Handelsgesetzbuch (HGB – German Commercial Code) and the additional provisions of commercial law.

Individual items of the statement of comprehensive income and the statement of financial position have been aggregated to improve the clarity of presentation. These items are discussed in the notes to the consolidated financial statements. The statement of comprehensive income has been prepared using the cost of sales method.

The consolidated financial statements have been prepared in euro. Unless stated otherwise, all figures have been rounded to millions of euro (EUR million). For technical reasons, tables and references can include rounded figures that differ from the exact mathematical values.

The consolidated financial statements are prepared on the basis of accounting for assets and liabilities at amortised cost. Exceptions to this are investment property, securities recognised at fair value and derivative financial instruments, which are carried at their fair value as at the end of the reporting period.

The consolidated financial statements and the Group management report are published in the Bundesanzeiger (Federal Gazette).

The preparation of consolidated financial statements in accordance with IFRS requires estimates and judgements on the part of management. Areas with greater scope for judgement or areas in which assumptions and estimates are of material importance to the consolidated financial statements are listed in > D.22 and D.23.

The consolidated financial statements of LEG Immo constitute exempting consolidated financial statements within the meaning of section 291 HGB for LEG Holding GmbH and LEG, Ruhr-Lippe Wohnungsgesellschaft mbH and Wohnungsgesellschaft Münsterland mbH. These companies are not required to prepare subgroup financial statements as they are included in the consolidated financial statements of LEG Immo, no non-controlling interests have applied for the preparation of consolidated financial statements and a Group management report in accordance with section 291(3) sentence 1 no. 2 HGB, and the other conditions of section 291(2) no. 2 and no. 3 HGB have been met.

The exemption provisions set out in section 264(3) HGB were exercised by Gladbau Baubetreuungs- and Verwaltungs-Gesellschaft mbH, LEG Wohnungsbau Rheinland GmbH, LEG Rheinland Köln GmbH, Wohnungsgesellschaft Münsterland GmbH, Ruhr-Lippe Wohnungsgesellschaft mbH, Ravensberger Heimstättengesellschaft mbH, LEG Management GmbH, LEG Wohnen NRW GmbH, WohnService-Plus GmbH, TSP-TechnikServicePlus GmbH, LEG Siebte Grundstücksverwaltung GmbH, EnergieServicePlus GmbH, SW Westfalen Invest GmbH, LEG Achte Grundstücksverwaltungs GmbH, GeWo Gesellschaft für Wohnungs- and Städtebau mbH, Grundstücksgesellschaft DuHa mbH, LEG Fünfte Grundstücksverwaltungs GmbH, Leerwohnungssanierung Plus GmbH and LEG Neunte Grundstücksverwaltungs GmbH.

B. New accounting standards

1| International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) that have been published but that are not yet effective

The IASB has published the following IFRS and IFRIC that are not yet effective and that will be relevant to the LEG Group:

T63

Published IFRS and IFRIC that are not yet effective

	Content	Effective for reporting periods beginning on
Amendments to standards		
IFRS 16	"Covid 19-Related Rent Concessions"	01.06.2020
IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16	"Interest Rate Benchmark Reform – Phase 2"	01.01.2021
IFRS 3	"Reference to the framework"	01.01.2022[1]
IAS 16	"Property, Plant and Equipment — Proceeds before Intended Use"	01.01.2022[1]
IAS 37	"Onerous Contracts — Cost of Fulfilling a Contract"	01.01.2022[1]
Various standards	"Improvements and amendments of selected IFRS standards 2018 – 2020"	01.01.2022[1]
IAS 1	"Classification of Liabilities as Current or Non-current"	01.01.2023[1]
IAS 1	"Disclosure of Accounting Policies"	01.01.2023[1]
IAS 8	"Definition of Estimates"	01.01.2023[1]

[1] not yet endorsed

LEG Immo does not adopt new standards early.

IFRS 16

The amendments to IFRS 16 (Covid-19-related rent concessions) do not affect the LEG Group's lease accounting. The optional exemption from assessing whether a COVID-19-related rent concession is a lease modification was not applied at the LEG Group. There were no cases of rent being deferred or waived as a direct result of the coronavirus pandemic for leases where the LEG Group is the lessee.

2| International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) effective for the first time

T64

Published IFRS and IFRIC effective for the first time

	Content	Effective for reporting periods beginning on
Amendments to standards		
IFRS 3	"Amendments to business combinations"	01.01.2020
IFRS 9/IAS 39/IFRS 7	"Interest Rate Benchmark Reform"	01.01.2020
IAS 1/IAS 8	"Amendments regarding the definition of material"	01.01.2020
Various standards	"Amendments to References to the Conceptual Framework in IFRS Standards"	01.01.2020

Only the IFRS and interpretations that affect the LEG Immo consolidated financial statements are explained in more detail below.

IFRS 3

The amendments to IFRS 3 were considered in business combinations.

IFRS 9, IAS 39 and IFRS 7

The amendments to the Interest Rate Benchmark Reform of IFRS 9, IAS 39 and IFRS 7 have no significant impact on the measurement of derivatives used in hedge accounting. Within the prospective effectiveness of the hedging relationship it is assumed that the underlying reference rate is not affected from the replacement of the IBOR reform.

IAS 1 and IAS 8

The amendments to IAS 1 and IAS 8 standardise the definition of materiality in all IFRS as well as the framework and contain clarifications on the definition of "material" as well as on the concealment of material by immaterial information. The amendments have no impact on the consolidated financial statements of the LEG Group.

C. Basis of consolidation and consolidation methods

1| Consolidation methods

a) Subsidiaries

The consolidated financial statements of LEG Immo contain all the material subsidiaries LEG Immo controls within the meaning of IFRS 10.

Subsidiaries are consolidated from the date at which LEG Immo first obtains control. Subsidiaries are deconsolidated as soon as LEG Immo no longer controls them.

The financial statements of subsidiaries are prepared using uniform accounting policies and as at the end of the same reporting period as LEG Immo's financial statements.

Capital is consolidated in accordance with the acquisition method, whereby the cost at the time of acquisition is offset against the pro rata share of net assets. Non-controlling interests represent the share of profit and net assets not attributable to the shareholders of LEG Immo. Non-controlling interests are reported separately in the consolidated statement of comprehensive income and the consolidated statement of financial position. They are reported in the consolidated statement of financial position under equity but separately from the equity attributable to the shareholders of the parent company.

All intragroup receivables and liabilities, income and expenses and gains and losses from intragroup transactions are eliminated.

b) Associates

Associates are equity interests whose financial and operating policies can be significantly influenced by LEG Immo. Associates are accounted for using the equity method. Owing to their immateriality for the net assets, financial position and results of operations of the Group, certain individual associates are measured at fair value or, if the fair value cannot be reliably determined for unlisted equity instruments, at cost and reported in other non-current financial assets.

A list of LEG Immo's shareholdings can be found in > section I.

2| Changes in the Group

a) Subsidiaries

Changes in the companies included in the consolidated financial statements of LEG Immo were as follows:

T65

Number of consolidated subsidiaries

	2020	2019
As of 01.01.	**66**	**67**
Additions	6	4
Disposals	0	–5
As of 31.12.	**72**	**66**

On 1 April 2020, LEG Wohngelegenheit Süd GmbH was consolidated for the first time.

On 18 June 2020, the companies LEG Rhein Neckar GmbH and LEG Niedersachen GmbH were founded and consolidated for the first time.

Fischbach Service GmbH (rebranded LWS Plus GmbH) was acquired as part of a business combination and consolidated for the first time as at 30 September 2020.

LEG Wohngelegenheit Mitte GmbH and LEG Krefeld-Bockum Verwaltungs GmbH were consolidated for the first time as at 31 December 2020.

b) Associates

The following table shows the development of associates accounted for using the equity method:

T66

Number of associates accounted for using the equity method

	2020	2019
As of 01.01.	**2**	**2**
Additions/Disposals	0	0
As of 31.12.	**2**	**2**

3 | Business combinations

On 8 November 2019, to enhance its portfolio the LEG Group signed a purchase agreement with the Baum Group on assuming a 94.9 % stake in each of the companies Baum Erste Wohnimmobilien Bremen GmbH, Baum Zweite Wohnimmobilien Bremen GmbH and Baum Wohnimmobilien Oldenburg GmbH.

Five employees were taken on in the scope of the transaction. After antitrust approval, the transaction was closed on 31 December 2019.

As at 31 December 2019, the acquisition of these companies was treated as a business combination within the meaning of IFRS 3 as material business processes were acquired.

The purchase price allocation was final as at 30 September 2020. The final consideration for the business combination is made up as follows:

T67

Consideration

€ million	31.12.2019 final	31.12.2019 provisional	Change
Cash consideration (net)	254,3	254,2	0,1
Contingent reimbursement	–	–	–
Total consideration	**254,3**	**254,2**	**0,1**

The purchase price can be allocated to the acquired assets and liabilities measured at fair values as follows:

T68

Purchase price allocation

€ million	31.12.2019 final	31.12.2019 provisional	Change
Investment properties	231,1	231,1	0,0
Property, plant and equipment – finance lease	0,1	0,2	–0,1
Deferred tax assets	0,0	0,0	0,0
Receivables from operating costs	3,9	3,9	0,0
Receivables and other assets	0,5	0,8	–0,3
Cash and cash equivalents	2,1	2,1	0,0
Total assets	**237,7**	**238,1**	**–0,4**
Other financing liabilities	0,1	0,1	–
Deferred tax liabilities	23,8	23,8	–
Other provisions	0,0	0,0	–
Liabilities from operating costs	4,1	4,1	–
Other liabilities	2,6	3,5	–0,9
Total liabilities	**30,6**	**31,5**	**–0,9**
Net assets at fair value	207,1	206,6	0,5
Non-controlling interests	6,8	6,8	–
Net assets at fair value without controlling interests	200,3	199,8	0,5
Consideration	**254,3**	**254,2**	**0,1**
Goodwill	**54,0**	**54,4**	**–0,4**

The fair value of the rent receivables acquired totals EUR 0.0 million. The gross amount of the rent receivables due amounts to EUR 0.3 million with an impairment of EUR 0.3 million recognised at the time of acquisition.

Non-controlling interests in the acquired companies are recognised at the level of their share in the acquired net assets.

The transaction costs of the business combination amount to EUR 1.3 million and essentially includes legal and consulting expenses as well as real estate transfer tax.

The synergies anticipated from the business combination relate primarily to cost advantages and additional revenue potential.

For tax purposes, the goodwill is not deductible.

On 19 August 2020, LEG Immo signed a purchase agreement with the Fischbach Holding GmbH assuming a 100 % stake of the company Fischbach Service GmbH (rebranded in LWS Plus GmbH). The transaction's objectives are the expansion of the value chain and the reduction of the interfaces between the LEG Group and the general contractors, so that in the course of the refurbishments of vacant apartments the LEG Group assume the steering and controlling function.

29 employees were taken on in the scope of the transaction. After antitrust approval, the transaction was closed on 30 September 2020.

Fischbach Service GmbH was active for several years as a general contractor for the LEG Group in the context of vacant apartment refurbishment. With approx. 33 employees, the company was responsible for approx. 25 % of the vacant apartment refurbishment in LEG Group and is characterised by high quality and efficient processes. As at 30 September 2020, the acquisition of the company was treated as a business combination within the meaning of IFRS 3 as material business processes were acquired.

The provisional consideration for the business combination is made up as follows:

T69

Provisional consideration

€ million	30.09.2020 provisional
Cash consideration (net)	22.5
Contingent reimbursement	12.5
Former business relationship	–12.6
Total consideration	**22.4**

There are two so-called earn-out clauses. According to §4 (2) a) of the purchase agreement, the purchase price component 4a in the amount of EUR 2.4 million depends on a successful integration phase. This is linked to the criteria of no staff turnover (max. 20 %), no turnover of subcontractors (max. 15 %) and the fulfilment of completion quotas (95 %). This purchase price component is due seven months after the closing date. Pursuant to §4 (3) a), the purchase price component 4b in the amount of EUR 2.5 million depends on the achievement of the business case. This purchase price component is due ten days after adoption of the annual financial statements as at 31 December 2022.

It can be assumed that both purchase price components will be fulfilled 100 %. The provisional purchase price can be allocated to the acquired assets and liabilities measured at fair values as follows:

T70

Provisional purchase price allocation

€ million	30.09.2020 provisional
BGA	0.1
Property, plant and equipment – finance lease	0.7
Intangible assets	0.0
Receivables and other assets	1.0
Cash and cash equivalents	2.5
Total assets	**4.3**
Other provisions	0.1
Other liabilities	9.1
Total liabilities	**9.2**
Net assets at fair value	–4.9
Non-controlling interests	–
Net assets at fair value without controlling interests	–4.9
Consideration	**22.4**
Goodwill	**27.3**

The transaction costs of the business combination amount to EUR 0.2 million and essentially include consulting expenses recognised in other expenses.

The synergies anticipated from the business combination relate primarily to cost advantages as well as a reduction of the vacancy duration and thereby a prompt letting.

The income statement does not include any sales of LWS Plus GmbH, as the acquired company only generates intra-group sales. This applies both to the entire financial year 2020 as well as for the period of affiliation to the Group. The group's result for the period includes small losses related to the refurbishment of vacant apartments which cannot be capitalised. For tax purposes, the goodwill is not deductible.

In addition to the total consideration, due to the currently incomplete existing data basis the purchase price allocation is provisional in respect to the following items:

- Inventories
- Accounting for leases
- Deferred tax expenses
- Contingent liabilities.

4 | IFRS 12 disclosures

a) Disclosures on subsidiaries included in consolidation
An overview of the subsidiaries in which LEG Immo holds investments as at 31 December 2020 (IFRS 12.10 et seq.) can be found in > section J.

The direct and indirect shares of capital held by LEG Immo in the subsidiaries are also equal to its shares of the voting rights. The companies not included in consolidation are not considered material in terms of the key performance indicators net profit for the year, total assets and revenue, and are therefore not included in the consolidated group.

b) Disclosures on subsidiaries with significant non-controlling interests
The financial information on significant, non-controlling interests in subsidiaries is summarised below (IFRS 12.B10). Intragroup transactions were not eliminated in the amounts disclosed.

TSP-TechnikServicePlus GmbH is the only subsidiary with significant non-controlling interests as at 31 December 2020.

EUR 1.8 million of consolidated net profit related to the significant non-controlling interests of TSP-TechnikServicePlus GmbH in 2020. The carrying amount in the Group recognised for the non-controlling interests in TSP-TechnikServicePlus GmbH as at 31 December 2020 was EUR 0 million on account of the obligation to pay a guaranteed dividend.

T71

Statement of financial position TSP

€ million	TSP-TechnikServicePlus GmbH 2020	2019
Non-current		
Assets	5.6	4.8
Liabilities	–3.8	–3.4
Non-current net assets	1.8	1.4
Current		
Assets	13.9	11.4
Liabilities	–13.6	–10.9
Current net assets	0.3	0.5

T72

Statement of profit or loss TSP

€ million	TSP-TechnikServicePlus GmbH 2020	2019
Revenue/other operating income	54.8	50.1
Earnings before income taxes	2.7	–1.4
Net profit from continued operations	2.3	–2.3
Net profit	2.3	–2.3
Total comprehensive income	**2.3**	**–2.3**
Attributable to: interests without significant influence	1.8	1.8
Paid dividend to owner without significant interest	1.8	1.8

T73

Statement of cash flows TSP

€ million	TSP-TechnikServicePlus GmbH 2020	2019
Net cash from/used in		
Operating activities	5.2	2.3
Investing activities	–0.3	–0.3
Financing activities	–1.9	–1.7
Change in cash and cash equivalents	**3.0**	**0.3**

c) Disclosures on associates

Disclosures on significant associates

The investments in associates affect the statement of financial position and the statement of comprehensive income of the LEG Group as follows:

T74

Impact from associates

€ million	2020	2019
Recognition	10.2	9.9
Total comprehensive income	0.3	0.2

The disclosures on the equity investments in associates classified as material are listed below.

T75

Material associates accounted for using the equity method

€ million	Share of capital in %	Equity	Result
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrück	40.62	22.0	0.6
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	3.8	0.1

The companies listed above perform property management activities.

The relationships with the associates are of an operational nature. All the companies listed above are recognised in the consolidated financial statements using the equity method. There are no quoted market prices.

The compiled financial information for the key associates of the Group is shown below. The financial information shown below is consistent with the amounts in the financial statements of the associates.

T76

Statement of financial position (associates)

	Kommunale Haus und Wohnen GmbH		Beckumer Wohnungs-gesellschaft mbH		Total	
€ million	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Non-current assets	47.5	44.3	7.3	7.1	54.8	51.4
Current assets	1.9	1.9	0.5	0.6	2.4	2.5
Cash and cash equivalents	2.1	1.2	0.5	0.8	2.6	2.0
Other assets	–	–	–	–	–	–
Non-current liabilities	20.7	20.3	3.8	4.1	24.5	24.4
Current liabilities	8.8	5.7	0.8	0.8	9.6	6.5
Financing liabilities	–	–	–	–	–	–
Non-financing liabilities	–	–	–	–	–	–
Net assets	**22.0**	**21.4**	**3.7**	**3.6**	**25.7**	**25.0**

T77

Statement of profit or loss (associates)

	Kommunale Haus und Wohnen GmbH		Beckumer Wohnungs-gesellschaft mbH		Total	
€ million	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	6.2	6.3	1.3	1.3	7.5	7.6
Depreciation	1.2	1.1	0.2	0.3	1.4	1.4
Interest income	–	–	–	–	–	–
Interest expense	0.3	0.4	0.1	0.1	0.4	0.5
Income taxes	–	–	–	–	–	–
Net profit from continued operations	0.6	0.6	0.1	0.0	0.7	0.6
Net profit after taxes from discontinued operations	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	**0.6**	**0.6**	**0.1**	**0.0**	**0.7**	**0.6**

Statement of reconciliation from compiled financial information to carrying amount of the equity investments:

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Reconciliation (associates)

	Kommunale Haus und Wohnen GmbH		Beckumer Wohnungs-gesellschaft mbH		Total	
€ million	**2020**	2019	**2020**	2019	**2020**	2019
Net assets of associates as of 01.01.	21.4	20.9	3.6	3.6	25.0	24.5
Net profit/loss	0.6	0.6	0.1	0.0	0.7	0.6
Addition to reserves	–	–	–	–	–	–
Dividend	–	−0.1	–	–	–	−0.1
Net assets of associates as of 31.12.	22.0	21.4	3.7	3.6	25.7	25.0
Group share in %	40.62	40.62	33.37	33.37	–	–
Interest in net assets of associates	8.9	8.7	1.3	1.2	10.2	9.9
Carrying amount of the investment	**8.9**	**8.7**	**1.3**	**1.2**	**10.2**	**9.9**

The annual financial statements of both companies as at 31 December 2020 are not yet available and therefore the figures as at 31 December 2019 are indicated for 2020.

D. Accounting policies

1| Investment properties

Investment property consists of the LEG Group's properties that are held to earn rental income or for capital appreciation or both, rather than for owner occupancy or sale in the ordinary course of business. Investment property includes land with residential and commercial buildings, undeveloped land, land with transferable leasehold land interests, parking spaces and garages.

In accordance with IFRS 5, investment property that is held for sale and that is highly likely to be sold within the next twelve months is recognised as an asset held for sale under current assets. Its measurement is consistent with the measurement of investment property.

Mixed-used properties are separated into the owner-occupied part and the part rented to third parties to the extent that it is legally possible to separate the property in question, and neither the owner-occupied portions nor the portions rented to third parties are immaterial. The portion rented to third parties is allocated to investment property, while the owner-occupied portion is recognised under property, plant and equipment. The ratio of the respective areas is used to allocate the components.

Property is transferred from investment property when there is a change in use evidenced by the commencement of owner-occupancy or the development with a view to sale.

Unless acquired as part of a business combination, investment property is recognised at cost including incidental costs on acquisition. In accordance with the option provided by IAS 40 in conjunction with IFRS 13, investment property is subsequently recognised at fair value. IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value assumes the sale of an asset (exit price). It corresponds to the (theoretical) price to be paid to the seller in the event of a (hypothetical) sale of a property at the measurement date, regardless of an entity's specific intention or ability to sell. The concept of highest and best use of the property is assumed in calculating fair value (IFRS 13.27 et seq.). This implies the use or value maximisation of the asset as far as it is physically possible, legally permissible and financially feasible. Further details can be found in > section D.18. Changes in the fair value of property are recognised in profit or loss for the period in which they occur.

Prepayments for property acquisitions are presented as prepayments for investment property. Prepayments for investment property that is acquired as part of a business combination are presented as prepayments for investment property (in case of an asset deal) or as other financial assets (in case of a share deal).

Subsequent costs for extension, partial replacement or maintenance of properties (IAS 40.17) are capitalised if they constitute the replacement of parts of a unit in accordance with the component approach (IAS 40.19) and the costs can be reliably determined. In addition, such costs are capitalised if the activities will result in increased future benefits and the costs can be reliably determined. Capitalised costs are not depreciated, as depreciation is not generally recognised in connection with the fair value option provided by IAS 40.

Individual units are sold to tenants, owner-occupants and private investors as part of portfolio optimisation measures.

Fair values are calculated internally by LEG Immo. In addition to the fair values calculated internally by LEG Immo, the property portfolio was valued by an independent, third-party expert as at 30 June 2020 and 31 December 2020. LEG Immo uses the third-party valuation to check the plausibility of its own calculations and as a general confirmation of the value of the portfolio as a whole through a second opinion.

The properties are reviewed individually by LEG Immo at the level of individual building entrances in terms of their location, condition, fixtures and fittings, current contractual rent and potential for development. The fair values calculated are consistent with the IFRS market values, i.e. the amount for which the respective property could be exchanged between market participants under current market conditions on the measurement date in an orderly transaction (IAS 40.5 rev. in conjunction with IFRS 13.15).

The fair values of investment property and properties held for sale are calculated on the basis of the forecast net cash flows from property management using the discounted cash flow (DCF) method. For properties with no positive net cash flow (generally vacant buildings), the fair value is calculated using a liquidation value method. Undeveloped land is usually measured based on an indirect comparison of indicative land values.

A detailed planning period of ten years was applied in DCF measurement. After the end of the tenth year, a sales value was recognised that was calculated by capitalising the forecast annual net profit for the eleventh period. The contractually agreed rental income for the respective property and other property-specific value parameters was applied in the first year of the detailed planning period.

The average monthly in-place rent for the rented apartments in the property portfolio (referring here and hereinafter to both investment property and properties held for sale) used for the measurement in buildings used primarily for residential purposes was EUR 5.93 per square metre as at the end of the reporting period (2019: EUR 5.83 per square metre). These properties can also contain commercial units in some cases. The future development of annual rent was projected on the basis of individual assumptions for the planning period. A distinction was made between rental income from existing tenancies and new lettings due to forecast fluctuation. During the detailed planning period market rent increases annually at an individually determined rate. For new lettings, rent in the amount of the assumed market rent is applied. The market rent growth applied ranges from 0.72 % to 1.90 % (previous year: 0.65 % to 2.00 %), on average based on specific market and property assessments. Rent from existing tenancies is projected on the basis of the statutory environment and the assessment of the respective market and property, and is assumed to converge with the overall market trend over time. The vacancy rate in terms of rental and usable space used for measurement is adjusted to a stabilised vacancy rate in line with market conditions, which also take account of location, and where appropriate the individual property characteristics over a period of four years.

Subsidised properties were treated differently depending on the existence and duration of potential rent control. If rent control is set to end within the ten-year detailed planning period, a rent adjustment towards the market rent is assumed for the subsequent year, taking into account the statutory requirements. For the remaining subsidised properties, a discount on the capitalisation rate is recognised depending on the remaining duration of rent control.

For maintenance and management costs of properties used chiefly for residential purposes, approaches were selected that are based on the II. Berechnungsverordnung (Second Computation Ordinance - II. BV, effective from 1 January 2020). The assumed reactive and periodical maintenance costs are derived on the basis of the technical assessment of the property and the year of construction, while for administrative costs a flat rate per residential unit and per parking space is used.

For residential buildings with a commercial component or other type of use, administrative costs for the non-residential component are calculated at 1% (previous year: 1%) of gross commercial income.

The II BV management costs have been adjusted in relation to the change in the consumer price index every three years since 2005. Between the adjustment periods for stabilisation, the valuation model thus takes into account an annual increase in management costs in line with the market, spread over three years and based on the expected development of the II. BV.

In addition, the development of maintenance and management costs was dynamic in the period under review. The cost increase recognised of 2.00 % (previous year: 2.00 %) per year is derived from the development in the consumer price index expected in the medium term.

Around 1.26 % (previous year: 1.29 %) of the units in the portfolio are classified as commercial properties. In some cases, these properties can contain residential units, but they are characterised by their primarily commercial character. Owing to the differing rent terms and market conditions compared to the residential portfolio, these properties were also subject to different assumptions with regard to the key parameters affecting their value. The average rent of the primarily commercial properties is EUR 7.10 per square metre (previous year: EUR 7.07 per square metre).

Cash flows are discounted using standard market discount rates with matching maturities of 4.47 % on average (previous year: 4.82 %) and standard market capitalisation rates for perpetuals of 5.75 % (previous year: 6.05 %); this takes into account the property-specific management cost ratio and reflects the individual risk/opportunity profile of the respective property. In addition to location criteria, the determination of an appropriate interest rate takes into account the property type, property condition, age, potential rental growth, the forecast for the location and potential government subsidies in particular.

Owing to the limited availability of market data, i. e. data and measurement parameters not directly observable on the market, the complexity of property valuation and the level of specification of property, the fair value measurement of investment property is assigned to Level 3 of the measurement hierarchy of IFRS 13.86 (measurement based on unobservable inputs). Further details can be found in > **section D.18**.

In measurement, investment property is broken down into categories defined by type of use:

- Residential assets
- Commercial assets
- Garages, underground garages or parking spaces/other properties,
- Leasehold and undeveloped land.

Commercial property is defined as property upwards of 1,000 square metres of usable space or in which 50 % of the building is used for commercial purposes. Other properties are essentially units with outside advertising media and wireless antennas. Properties are also broken down according to three market clusters using a scoring system: growth markets (“orange”), stable markets (“green”) and higher yielding markets (“purple”).

The table below shows the measurement method used to determine the fair value of investment property and the material unobservable inputs used:

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Valuation parameters as at 31 December 2020

	GAV investment properties	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost residential/commercial €/unit			Stabilised vacancy rate %		
	(€ million)		min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets														
High-growth markets	6,242	DCF	3.63	8.14	14.01	5.62	11.70	15.73	181.85	304.85	466.74	1.0	1.8	6.0
Stable markets	4,806	DCF	2.33	6.69	10.31	6.64	11.78	15.23	163.73	302.89	466.38	1.5	3.0	9.0
Higher-yielding markets	2,802	DCF	0.32	6.05	9.29	5.86	11.85	15.61	161.96	302.97	466.38	1.5	4.4	8.5
Commercial assets	232	DCF	0.50	7.40	27.00	4.46	7.37	15.47	0.16	257.60	5,480.52	1.0	2.6	8.5
Leasehold	165	DCF	–	–	–	–	–	–	1.95	28.93	75.37	–	–	–
Parking + other assets	280	DCF	–	–	–	34.27	77.10	89.27	39.07	39.37	39.50	–	–	–
Land values	28	Earnings/ reference value method	–	–	–	–	–	–	0.06	5.64	14.40	–	–	–
Total portfolio (IAS 40)[1]	**14,555**	**DCF**	**0.32**	**6.86**	**27.00**	**4.46**	**17.34**	**89.27**	**0.06**	**280.14**	**5,480.52**	**1.0**	**3.2**	**9.0**

	Discount rate %			Capitalisation rate %			Estimated rental development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	3.3	4.4	5.3	2.2	5.0	11.3	1.1	1.6	1.9
Stable markets	3.2	4.4	5.3	1.9	5.6	11.4	0.9	1.2	1.8
Higher-yielding markets	3.4	4.5	5.1	2.9	5.9	12.0	0.7	1.1	1.6
Commercial assets	2.5	6.5	9.0	2.8	7.1	9.5	0.8	1.4	1.9
Leasehold	3.3	4.5	6.0	10.4	11.1	11.8	0.9	1.4	1.8
Parking + other assets	3.0	4.5	5.4	2.6	6.9	12.0	0.7	1.3	1.9
Land values	4.2	4.4	5.0	2.8	11.0	11.9	0.9	1.3	1.8
Total portfolio ((IAS 40)[1]	**2.5**	**4.5**	**9.0**	**1.9**	**5.7**	**12.0**	**0.7**	**1.3**	**1.9**

[1] In addition, as at 31 December 2020, there are assets held for sale (IFRS 5) in the amount of EUR 21.6 million, which correspond to Level 2 of the fair value hierarchy.

The table below shows the measurement method used to determine the fair value of investment property as at 31 December 2019:

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Valuation parameters as at 31 December 2019

	GAV investment properties	Valuation technique	Market rent residential/commercial €/sqm			Maintenance cost residential/commercial €/sqm			Administrative cost residential/commercial €/unit			Stabilised vacancy rate %		
	(€ million)		min	Ø	max	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets														
High-growth markets	4,824	DCF	3.84	8.16	13.33	5.56	11.77	15.58	215	303	462	1.0	1.8	6.0
Stable markets	3,665	DCF	2.40	6.36	9.84	4.53	11.82	15.08	198	300	462	1.5	3.1	9.0
Higher-yielding markets	2,200	DCF	0.36	5.85	8.78	1.92	11.91	15.45	164	300	462	1.5	4.3	9.0
Acquisitions	363	DCF	4.15	7.61	14.00	7.16	13.07	14.00	39	239	299	0.0	2.6	7.7
Commercial assets	211	DCF	1.00	7.41	27.00	0.87	5.99	13.03	1	279	5,482	1.0	2.6	9.0
Leasehold	520	DCF	1.50	6.46	11.25	7.42	11.63	14.88	11	279	2,662	1.0	2.9	7.0
Parking + other assets	215	DCF							0	37	54			
Land values	33	Earnings/ reference value method							0	6	14			
Total portfolio (IAS 40)[1]	**12,031**	**DCF**	**0.36**	**6.66**	**27.00**	**0.87**	**11.84**	**15.58**	**0**	**276**	**5,482**	**0.0**	**3.1**	**9.0**

	Discount rate %			Capitalisation rate %			Estimated rental development %		
	min	Ø	max	min	Ø	max	min	Ø	max
Residential assets									
High-growth markets	3.6	4.7	5.6	2.2	5.2	9.6	1.3	1.7	2.0
Stable markets	3.6	4.7	5.6	2.5	6.0	10.0	0.8	1.2	1.8
Higher-yielding markets	3.9	4.9	6.3	3.5	6.4	10.6	0.7	1.0	1.5
Acquisitions	4.6	4.8	6.6	3.4	5.1	8.2	1.0	1.4	1.9
Commercial assets	2.5	6.5	9.0	2.8	7.1	11.4	0.7	1.5	1.9
Leasehold	3.6	4.9	6.9	3.1	6.3	12.4	0.8	1.2	1.9
Parking + other assets	4.1	4.8	5.7	2.9	7.1	12.8	0.7	1.3	2.0
Land values	3.6	4.8	5.4	2.2	11.1	12.3	0.9	1.3	1.9
Total portfolio (IAS 40)[1]	**2.5**	**4.82**	**9.0**	**2.2**	**6.05**	**12.8**	**0.7**	**1.3**	**2.0**

[1] In addition, as at 31 December 2019, there are assets held for sale (IFRS 5) amounting to EUR 25.2 million, which correspond to Level 2 of the fair value hierarchy.

2 | Property, plant and equipment

Property, plant and equipment is recognised at cost and depreciated on a straight-line basis over its expected useful life.

Any subsidies received are deducted in calculating cost.

Depreciation is recognised using the following useful lives, which are applied uniformly throughout the Group:

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Useful life of property, plant and equipment

in years	2020	2019
Owner-occupied residential properties	80	80
Owner-occupied commercial properties	50	50
Technical equipment and machinery/Other operating and office equipment	3 to 23	3 to 23

Low-value assets with a net value of up to EUR 250 are immediately written off in full in the year of their acquisition. Assets with a net value between EUR 250.01 and EUR 800 are written off in full in the year of their acquisition. Deviations from the economic life of the respective assets are considered immaterial.

3 | Intangible assets and goodwill

Purchased intangible assets are capitalised at cost. Such assets are software licenses with a definite useful life. Software licenses are amortised on a straight-line basis over an expected economic life of between three and five years from the date on which they are provided.

The goodwill resulting from purchase price allocation (PPA) is allocated to the cash-generating units (CGUs) expected to benefit from the business combination. The partial goodwill method is applied in calculating goodwill.

There are therefore five CGUs to which goodwill has been allocated within the LEG Group as at 31 December 2020. In addition to the CGU groups "Vitus" and "Wohnen like-for-like", the property portfolios "Bismarck" (acquired from Sahle Wohnen GmbH & Co. KG by way of purchase agreement dated 30 November 2015) and "Charlie" (acquired from Vonovia SE by way of purchase agreement dated 22 December 2015) also have goodwill. The acquisition of the Baum Group (purchase agreement dated 8 November 2019) allocated goodwill to the "Redwood" CGU in the reporting year. The portion of goodwill resulting from deferred tax liabilities is allocated to the respective CGU that holds the assets and liabilities.

Goodwill from the "Redwood" acquisition was allocated to the various CGUs in the amount of EUR 54.0 million. The "Redwood" CGU group is assigned EUR 23.8 million resulting from deferred tax liabilities. The remaining portion of goodwill is distributed to the additional CGU groups using the expected synergy effects: "Vitus" EUR 0.6 million, "Wohnen-like-for-like" EUR 28.7 million, "Bismarck" EUR 0.2 million, Charlie EUR 0.7 million.

The following goodwill amounts therefore relate to the CGU groups as at 31 December 2020:

- "Vitus": EUR 33.5 million (previous year: EUR 32.8 million)[1]
- "Wohnen like-for-like": EUR 13.0 million (previous year: EUR 50.9 million)[1]
- "Bismarck": EUR 0.4 million (previous year: EUR 0.2 million)
- "Charlie": EUR 1.7 million (previous year: EUR 0.9 million)
- "Redwood": EUR 23.8 million

[1] Previous year's figure adjusted

The synergies anticipated from the business combinations essentially consist of planned cost savings and additional income potential, which are allocated proportionately to the respective CGUs.

On 30 September 2020, the LEG Group assumed a 100 % stake in the company Fischbach Service GmbH from Fischbach Holding GmbH (rebranded in LWS Plus GmbH). At the time of acquisition, provisional goodwill of EUR 27.3 million was recognised. There has not yet been an allocation to one or more cash-generating units. The management has not concluded the analysis in respect to the distribution of the expected synergies of the cash-generating units. There were no indications as at 31 December 2020 that the goodwill may be impaired.

In the goodwill impairment test, the recoverable amount is represented by the fair value less costs of disposal (FVLCOD). The FVLCOD is calculated as the present value of the free cash flows before interest and after taxes expected from continuing a CGU or a group of CGUs. A general tax rate of 31.2 % (previous year: 31.2 %) is applied to EBIT here. The cash flow forecast reflects past experience and takes into account management expectations of future market developments. These cash flow forecasts are based on the resolved medium-term planning, which covers a horizon of five years (detailed planning period). Administrative costs are accounted for appropriately. To account for leases, a replacement investment is recognised for the rights of use under the assumption that the leases are renewed at the end of the contract term. The carrying amount of the CGU groups include the rights of use from leases.

There is also a cash flow forecast going beyond the five-year planning horizon. This is prepared by deriving a sustainable free cash flow from the detailed planning period and extrapolating this using a growth rate based on the specific market development.

A weighted average cost of capital that reflects the capital market's return requirements for debt and equity to the LEG Group is used to discount the free cash flows. A cost of capital after taxes is also used on the basis of the calculated free cash flows after taxes. Risks of free cash flows are taken into account by a matched risk capitalisation rate.

Key assumption for the impairment tests are net cold rents, sustainable investments per square metre and the sustainable EBITDA margin. These were as follows:

- "Vitus" net cold rent EUR 41.0 million (previous year: EUR 39.6 million); sustainable investments EUR 29.87 per square metre (previous year: EUR 29.14 per share metre), sustainable EBITDA margin 72.7 % (previous year: 71.2 %)
- "Wohnen like-for-like" net cold rent EUR 518.1 million (previous year: EUR 490.3 million); sustainable investments EUR 28.28 per square metre (previous year: EUR 27.82 per share metre), sustainable EBITDA margin 73.5 % (previous year: 73.2 %)
- "Bismarck" net cold rent EUR 16.1 million (previous year EUR 15.7 million); sustainable investments EUR 27.95 per square metre (previous year: EUR 27.46 per share metre), sustainable EBITDA margin 73.3 % (previous year: 72.7 %)
- "Charlie" net cold rent EUR 44.1 million (previous year: EUR 43.0 million); sustainable investments EUR 28.95 per square metre (previous year: EUR 28.35 per share metre), sustainable EBITDA margin 68.2 % (previous year: 67.0 %)
- "Redwood" net cold rent EUR 10.2 million (previous year: EUR 0 million); sustainable investments EUR 27.33 per square metre (previous year: EUR 0 per share metre), sustainable EBITDA margin 78.1 % (previous year: 0 %)

A uniform capitalisation rate of 2.3 % (previous year: 1.9 %) was used for the CGUs analysed in the goodwill impairment test, representing a corresponding pre-tax capitalisation rate of 2.6 % (previous year: 2.1 %), taking into account a typical tax rate on EBIT of 31.2 %. A sustainable growth rate of 0.4 % p. a. is assumed for all CGUs (previous year: 0.4 %).

The impairment test carried out in the reporting year for the "Wohnen like-for-like" CGU group found that EUR 66.6 million in allowances was required. The goodwill of EUR 79.6 million allocated to this CGU group was impaired to EUR 13.0 million. The consolidated statement of comprehensive income recognised EUR 45.6 million as depreciation and amortisation expenses in the costs of sales in connection with rental and lease income and EUR 21.0 million as depreciation and amortisation expenses in administrative and other expenses. Impairment in the reporting year chiefly reflected changes in the cost of capital, which was affected by very volatile stock market prices. In addition, the carrying amount of the CGU group increased significantly as a result of the increase in value of the property portfolio. Higher net cold rents and an increased sustainable EBITDA margin were unable to offset these two factors.

Goodwill impairment tests for the other four CGUs did not indicate any need for impairment. Recoverable amounts and headroom were as follows:

- "Vitus" recoverable amount EUR 869.2 million (previous year: EUR 916.6 million); headroom EUR 37.7 million (previous year: EUR 198.0 million)
- "Wohnen like-for-like" recoverable amount EUR 12,459.6 million (previous year: EUR 13,272.2 million); headroom EUR 0.0 million (previous year: EUR 3,063.0 million)
- "Bismarck" recoverable amount EUR 351.6 million (previous year, EUR 405.7 million); headroom EUR 24.3 million (previous year: 112.2 million)
- "Charlie" recoverable amount EUR 927.3 million (previous year: EUR 900.5 million); headroom EUR 126.8 million (previous year: EUR 188.1 million).
- "Redwood" recoverable amount EUR 320.9 million (previous year: EUR 0); headroom EUR 60.6 million (previous year: EUR 0).

The key premises and assumptions influencing impairment on a CGU were reviewed in the form of standardised sensitivity analyses.

EBIT margin

The risk of a 10 % reduction in the EBIT margin was analysed for the reduced earnings scenario analysis. This model calculation gave rise to impairment requirements for the "Vitus", "Bismarck" and "Wohnen like-for-like" groups, resulting in a full write-down of the allocated goodwill. In the case of a reduction in the EBIT margin, there is an impairment of 3.3 % at the CGU group, 5.5 % at the "Bismarck" CGU group and immediately at the "Wohnen-like-for-like" CGU group. For these three CGU groups, a 10 % reduction in the EBIT margin results in an impairment requirement that exceeds the goodwill. For the CGU groups "Charlie" and "Redwood", a reduction of the EBIT margin by 10 % does not result in an impairment requirement.

Weighted costs of capital

The risks from assumptions regarding the capitalisation rate used as standard to calculate the present value of FVLCOD were tested by simulating impairment on each CGU group with a change in the costs of capital of +/– 50 basis points. This scenario analysis gave rise to impairment requirements for the "Vitus", "Bismarck", "Charlie" and "Wohnen like-for-like" groups, resulting in a full write-down of the allocated goodwill. Goodwill allocated to the "Redwood" CGU group is subject to a partial write-down. In the case of an increase of the capitalisation rate there is an impairment of 8 basis points at the "Vitus" CGU group, 13 basis points at the "Bismarck" CGU group, 28 basis points at the "Charlie" CGU group, 41 basis points at the "Redwood" CGU group and immediately at the "Wohnen-like-for-like" CGU group. For the CGU groups "Vitus", "Bismarck", "Charlie" and "Wohnen-like-for-like", a 50 basis points increase in cost of capital requires a value adjustment that exceeds the goodwill.

4 | Impairment of assets

The LEG Group tests intangible assets and property, plant and equipment in accordance with IAS 36 for impairment losses at least once a year. Impairment testing is performed at the level of individual assets. If largely independent future cash flows cannot be determined for individual assets, cash-generating units (CGUs) are formed as groups of assets whose future cash flows are interdependent.

As there were no indications of impairment ("triggering events") for CGU "„Biomasse" (Biomasse Heizkraftwerk GmbH & Co. KG) in the financial year, it was not necessary to calculate an impairment test for CGU "Biomasse".

Investment property is not subject to impairment testing in accordance with IAS 36 as it is recognised at fair value.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in profit or loss.

5 | Other financial assets

The LEG Group recognises financial assets as at the trade date.

LEG Immo holds very small equity investments.In accordance with IFRS 9, these are classified in the fair value through profit and loss category. On acquisition the measurement takes place at fair value. Gains and losses on subsequent measurement at fair value are recognised in profit and loss. For the measurement of the fair value see > section D.18.

Subsidiaries which are not consolidated owing to their immateriality for the net assets, financial position and results of operations of the Group are recognised at fair value as at the end of the reporting period or, if this cannot be reliably determined, at cost. Shares in unconsolidated subsidiaries or subsidiaries recognised using the equity method are not quoted. Owing to the considerable volatility and the lack of an active market, the fair value of these instruments cannot be reliably determined. There is currently no intention to sell these shares in the near future.

6 | Accounting for leases as the lessee

In accordance with IFRS 16, a right-of-use asset and a lease liability are recognised at present value from the date at which the LEG Group's leased asset is available for use. The leasing rate is divided into a repayment and financing share. The finance costs are recognised in profit or loss over the term of the leases.

The rights of use assets are amortised on a straight-line basis over the term of the lease or, if shorter, over the useful life of the asset. The subsequent valuation of investment property is measured at fair value in accordance with IAS 40, therefore the subsequent valuation of the rights of use of leasehold is also measured at fair value.

Lease liabilities of the LEG Group may include the present value of fixed lease payments less leasing incentives to be received as well as variable lease payments linked to an index. If determinable, the discounting of lease payments is based on the implicit interest rate on which the lease is based. Otherwise, the incremental borrowing rate is used for discounting. To determine this, a risk-free interest rate with maturities between one and 30 years and a maturity-specific risk premium were used. This calculation of the incremental borrowing rate is used in subsequent measurement.

The rights of use assets are valued at acquisition cost, which can be assembled composed of the amount of the initial valuation of the lease liability as well as of all lease payments made at or before the provision less any leasing incentives that may have been received. Subsequent valuation is at amortised cost with the exception of leaseholds, which are measured at fair value in accordance with IAS 40.

For short-term leases with a term of less than twelve months, the exempting provision is not used. For low value asset leases, for example mobile phones, the exempting provision is used. The payments are recognised as an expense in the income statement on a straight-line basis. Moreover LEG has made use of the option to waive the separation of the leasing component and the non-leasing component. This essentially applies leases for cars.

Several property lease contracts of LEG group comprise extension and termination options. These contract conditions ensure the group the highest operational flexibility with regard to contract portfolio. The determination of contract term occurs in consideration of all facts which offer economic incentive for exercising or not exercising the option. A contract term will only be adjusted if the exercise or non-exercise of an option is reasonably certain.

7 | Accounting for leases as the lessor

Leases for residential properties grant tenants an option to terminate the agreement at short notice on the basis of the statutory regulations. In accordance with IFRS 16, these agreements are classified as operating leases as the significant risks and rewards remain with the LEG Group. The same applies to the current agreements for commercial property.

Income from operating leases is recognised in the statement of comprehensive income in rental and lease income on a straight-line basis over the term of the respective leases.

8 | Receivables and other assets

On initial recognition, trade receivables and other financial assets are carried at their fair value plus transaction costs. Subsequent measurement is at amortised cost.

For rent receivables and receivables from uninvoiced operating costs, the LEG Group uses the expected credit loss model. Here the simplified approach in accordance with IFRS 9 is used and lifetime expected credit losses calculated.

9 | Receivables and liabilities from operating costs not yet invoiced

Operating costs that can be passed on but that have not yet been invoiced as at the end of the reporting period are shown under other receivables in the LEG Group and reduced by the amount of tenant advances received for operating costs. Costs that can be capitalised and passed on are reported net of the tenant advances received. A financial liability is reported if liabilities exceed assets.

10 | Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, other short-term, highly liquid financial assets with original maturities of three months or less and bank overdrafts. Utilised bank overdrafts are shown in the statement of financial position in current financial liabilities.

11 | Assets held for sale

In accordance with IFRS 5, assets held for sale consist solely of those assets for which a decision on disposal has been made as at the end of the reporting period, the disposal of the property within twelve months of the decision is considered to be highly likely and active marketing activities have been initiated.

In accordance with IFRS 5, assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. Items of investment property classified as assets held for sale are measured at fair value in accordance with IAS 40.

12 | Pension provisions

Pension and similar obligations result from commitments to employees. Obligations arising from defined benefit plans are measured in accordance with the projected unit credit method. Using this method, forecast future increases in salaries and benefits are taken into consideration in addition to benefits and entitlements known at the end of the reporting period. The biometric basis is provided by the 2018G Heubeck mortality tables.

The Group has both defined benefit and defined contribution plans. The amount of the pension benefits payable under defined benefit plans is based on the qualifying period of employment and the pensionable income.

In Germany, the regulatory framework is the Betriebsrentengesetz (Company Pension Act), according to which pensions rise in line with the rate of inflation. LEG Immo bears the actuarial risks, such as the longevity risk, the interest rate risk and the inflation risk. There are no additional plan-specific risks at LEG Immo.

Remeasurement components in connection with defined benefit plans, which cover actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income in the period in which they arise. No past service costs were incurred in the reporting year or the previous year.

The interest effect included in pension expenses is shown in interest expenses in the consolidated statement of comprehensive income. Past service costs are shown under operating result in the individual functions.

13 | Other provisions

Other provisions are recognised if the LEG Group has a present legal or constructive obligation as a result of past events that is uncertain with regard to settlement and/or amount. They are recognised at the present value of the expected settlement amount.

Non-current provisions are carried at their discounted settlement amount as at the end of the reporting period on the basis of corresponding market interest rates with matching maturities.

14 | Financing liabilities

On initial recognition, financial liabilities are carried at fair value plus transaction costs and adjusted for any premiums or discounts. The fair value at the grant date is equivalent to the present value of future payment obligations based on a market rate of interest for obligations featuring the same term and level of risk.

Subsequent measurement takes place at amortised cost using the effective interest method. The effective interest rate is determined on initial recognition of the financial liability.

Changes in terms affecting the amount and timing of interest and principal payments result in the re-measurement of the carrying amount of the liability in the amount of the present value on the basis of the effective interest rate originally calculated. Any differences compared to the previous carrying amount are recognised in profit or loss. If changes in terms lead to significant differences in contractual conditions, the original liability is treated as if it had been repaid in full in accordance with IFRS 9. Subsequently a new liability is recognised at fair value.

15 | Derivative financial instruments

The LEG Group uses derivative financial instruments to hedge interest rate risks incurred in financing its properties.

Derivative financial instruments are measured at fair value. Changes in the fair value of derivatives are recognised through profit or loss if no hedging relationship in accordance with IFRS 9 exists. Derivatives accounted for as hedges serve to hedge against future uncertain cash flows. The LEG Group is exposed in particular to risks with respect to future cash flows from variable rate financial liabilities.

At the inception of the hedge and as at the end of the reporting period, the effectiveness of the hedging relationships is determined using prospective assessments. Here a check is made if the contractual conditions of the hedged item match those of the hedging instrument and that an economic relationship exists.

Changes in fair value are divided into an effective and an ineffective portion. Effectiveness is determined using the dollar offset method. The effective portion is the portion of the gain or loss on remeasurement that is recognised as an effective hedge against the cash flow risk. The effective portion, net of deferred taxes, is recognised directly in other comprehensive income (equity). Ineffective hedges can result from embedded floors in loan agreements, which are not matched in the relevant swap and from taking into account the credit risk in the context of derivative measurement.

The ineffective portion of the gain or loss on remeasurement is reported in net finance costs in the consolidated statement of comprehensive income. The amounts recognised directly in equity are transferred to the consolidated statement of comprehensive income if gains or losses in connection with the underlying are recognised in profit or loss. In the event of the early termination of the hedge, the amounts recognised in equity are reclassified to profit or loss if gains or losses in connection with the underlying are recognised in profit or loss. If the underlying is terminated, then the amounts remaining in other comprehensive income are immediately recognised in profit or loss.

16 | Fair values of financial instruments

The fair values of financial instruments are determined on the basis of corresponding market values or measurement methods. For cash and cash equivalents and other short-term primary financial instruments, the fair value is approximately the same as the carrying amount at the end of the respective reporting period.

For non-current receivables, other assets and liabilities, the fair value is calculated on the basis of the forecast cash flows, applying the reference interest rates as at the end of the reporting period. The fair values of derivative financial instruments are calculated using the reference interest rates as at the end of the reporting period plus own risk or counterparty risk.

For financial instruments at fair value, the discounted cash flow method is used to determine fair value using corresponding quoted market prices, with individual credit ratings and other market conditions being taken into account in the form of standard credit and liquidity spreads when calculating present value. If no quoted market prices are available, the fair value is calculated using standard measurement methods applying instrument-specific market parameters.

The input parameters for valuation models used to determine the fair value of derivative financial instruments are the relevant market prices and interest rates observed on the balance sheet date and taken from recognised external sources. The derivatives are therefore attributable to level 2 of the fair value hierarchy as defined in IFRS 13 72ff. (measurement on the basis of observable inputs). Please see > section D.18.

Both the Group's own risk and the counterparty risk were taken into account in the calculation of the fair value of derivatives in accordance with IFRS 13.

17 | Put options

LEG Group companies are the writers of several put options on the basis of which non-controlling shareholders can tender their interests in companies controlled by LEG Immo to the respective LEG Group company.

They are recognised as financial liabilities in the amount of the present value of the claim to payment of the option holder (fair value). The liability is recognised against the equity attributable to the writer, if material risks and rewards of the interest remain with the non-controlling shareholders. If the writer can avoid repurchase by appointing a third party, at least the corresponding opportunity costs are recognised. There is no additional reporting of the put options as independent derivatives in this case. The financial instruments are subsequently measured at amortised cost using the effective interest method.

18 | Calculation of fair value

Fair value measurement of investment property is assigned to level 3 of the measurement hierarchy of IFRS 13.86 (measurement based on unobservable inputs). For information on the measurement of investment property, please see the comments in > section D.1. For the measurement of derivative financial instruments, please see > section D.16 and > section I.3.

The fair value hierarchy can be summarised as follows:

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Fair value hierarchy

	Level 1	Level 2	Level 3
Purchase price allocation in the context of business combinations			X
Investment properties			X
Financing liabilities		X	
Other liabilities (particularly derivative)		X	
Investments in corporations and partnerships without control or significant influence			X

There were no transfers between the fair value hierarchy.

The fair value of the very small equity investments is calculated using DCF procedures as there are no quoted prices in an active market for the relevant equity investments. The fair value calculated using valuation models is allocated to Level 3 of the IFRS 13 measurement hierarchy. Allocation to Level 3 takes place based on valuation models with inputs not observed on a market. This relates primarily to the capitalisation rate of 4.21% (previous year: 4.80%). As at 31 December 2020, the fair value of the very small equity investments was EUR 13.8 million (previous year: EUR 12.0 million). The stress test of this parameter on the basis of plus 50 bp results in a reduction of the fair value to EUR 12.5 million (previous year: EUR 11.0 million) and at minus 50 bp in an increase of the fair value to EUR 15.5 million (previous year: EUR 13.2 million).

19 | Revenue recognition

Income is recognised when it is probable that the economic benefit will flow to the LEG Group and the amount of the income can be measured reliably. The following recognition criteria must also be met in order for income to be recognised:

a) Rental and lease income
The LEG Group generates income from the rental and lease of properties. Rental income is within the scope of IFRS 16 Leases and are not customer contracts in accordance with IFRS 15.

Income from the rental and lease of properties for which the corresponding rental and lease agreements are classified as operating leases is recognised on a straight-line basis over the term of the respective lease agreement. When incentives are provided to tenants, the cost of the incentive is recognised over the lease term, on a straight-line basis, as a reduction of rental and lease income.

Rental and lease income also includes tenant payments for utilities and service charges if the services have been provided. For allocable operating costs, there are isolated items in which the LEG Group qualifies as an agent under IFRS 15. The operating costs of cold water supply, draining and street cleaning, for which the LEG Group operates as agent, are recognised on a net basis. The other operating costs are recognised on a gross basis. Please see > section F.1.

Revenues from operating costs are calculated on the basis of the costs incurred and correspond to the contractually agreed transaction price. Advance payments for operating costs are due by the third day of the current month. Revenues are recognised related to the time period over the month. In the subsequent year, the advance payments made for operating costs are offset against the actually incurred values. Surpluses from prepayments received are recognised under rental and lease liabilities. If the prepayments received are lower than the actually incurred operating costs, this is recognised under receivables from rental and leasing activities.

The operating costs of property tax and insurance are recognised as an element of rent and lease income from lease agreements in the statement of comprehensive income in rental and lease income on a straight-line basis over the term of the respective agreements.

b) Income from the disposal of property
The LEG Group generates income from the disposal of property. Income from the disposal of property is recognised when title and effective control of the property is transferred to the buyer. A transfer is assumed to take place when the LEG Group transfers title and effective control of the property sold to the buyer and it is probable that the income from the disposal will flow to the LEG Group.

By contrast, income is not recognised if the LEG Group assumes yield guarantees, grants a right of return to the buyer or enters into other material obligations with respect to the buyer that prevent a transfer of control to the buyer.

Income represents the contractually agreed transaction price. In general the consideration is due when the legal title is transferred. In rare cases deferred payments can be agreed.However these do not exceed twelve months. For this reason, no significant financing component is included in the transaction price.

c) Income from other services
Income from other services covers income from services and third-party management.

Income from other services is recognised as income for a period of time, as the customer directly receives and uses the benefits from the service. The transaction price and its due date are based on the agreed contractual conditions.

d) Interest and similar income
Interest income is recognised using the effective interest method in the period in which it arises.

20 | Government grants

The LEG Group has primarily received government grants in the form of loans at below-market interest rates.

These loans at below-market rates are property loans and are reported as financial liabilities. They provide benefits compared to regular loans, such as lower interest rates or periods free of interest and principal payments. The loans were measured at fair value when the company was acquired in 2008 and carried at amortised cost in subsequent periods.

On initial recognition, new investment loans and loans at below-market rates are measured at their present value based on the applicable market interest rate at the grant date. The difference between the nominal amount and the present value of the loan is recognised as deferred income (other liabilities, > see section E.12). It is released on a straight-line basis over the remaining term of the loans, which are then measured at amortised cost.

21 | Income taxes

The income tax expense represents the total of the current tax expense and the deferred taxes.

The LEG Group is subject to taxation mainly in Germany. Some judgements have to be made in assessing income tax receivables and liabilities. It cannot be ruled out that the tax authorities will make a different assessment. The uncertainty this entails is taken into account by recognising uncertain tax receivables and liabilities only when the LEG Group considers their probability of occurrence to be higher than 50 %. Any changes in judgements, e. g. due to final tax assessments, affect current and deferred tax items. The best estimate of the provisionally expected tax payment is used for recognised uncertain income tax items.

The current tax expense is calculated on the basis of the taxable income for the year. Taxable income differs from the consolidated net profit for the period, as shown in the consolidated statement of comprehensive income, due to income and expenses that are only taxable or tax-deductible in future periods, if at all. The Group's liabilities and provisions for current taxes are calculated on the basis of the applicable tax rates.

Deferred taxes are recognised for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base for the purpose of calculating taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilised or deferred tax liabilities exist. Deferred tax assets also include reductions in taxes resulting from the expected utilisation of existing tax loss or interest carry-forwards (or similar items) in subsequent periods if realisation is reasonably assured.

In addition, deferred taxes are recognised for outside basis differences (OBDs) if the relevant conditions are met. In accordance with IAS 12, a company must recognise deferred taxes for taxable and deductible temporary differences between the consolidated IFRS net assets and the carrying amount in the tax accounts of interests in subsidiaries, associates and joint arrangements under certain conditions.

Deferred tax liabilities and deferred tax assets are calculated on the basis of the tax rates (and tax legislation) that are expected to be in force when the liability is settled or the asset is realised. This is based on the tax legislation in force or adopted by the Bundestag (Lower House of the German Parliament) and, where applicable, the Bundesrat (Upper House of the German Parliament) as at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Group expects to settle the deferred tax liabilities or realise the deferred tax assets as at the end of the reporting period.

Current or deferred taxes are recognised in profit or loss unless they relate to items that are recognised in other comprehensive income or recognised directly in equity. In this case, the corresponding current and deferred taxes are recognised in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and to the same taxable entity. In addition, only deferred taxes that relate to items of the statement of financial position with the same maturity are netted.

22 | Judgements

The management is required to use judgement in applying the accounting policies. This applies in particular to the following items:

- For assets held for sale, it must be determined whether the assets can be sold in their present condition and whether their disposal can be considered highly likely within the meaning of IFRS 5. If this is the case, the assets and, if existing, any corresponding liabilities are reported and measured as assets and liabilities held for disposal.

- It must be determined whether property should be classified as inventories or investment property depending on the intended use.

- Buildings that are both owner-occupied and used by third parties must be reported as separate assets in accordance with IAS 16 and IAS 40, unless the owner-occupied component is immaterial.

- In the context of portfolio acquisitions, non-controlling interests are reported if material risks and rewards lie with the minority shareholder.

- Derivatives accounted for as hedges serve to hedge against future uncertain cash flows. The LEG Group is exposed in particular to risks with respect to future cash flows from variable rate financial liabilities. The input parameters for valuation models used to determine the fair value of derivative financial instruments are the relevant market prices and interest rates observed on the balance sheet date and taken from recognised external sources.

- Lease contracts of the LEG Group can include extension and termination options. The determination of contract term occurs in consideration of all facts which offer economic incentive for exercising or not exercising the option. A contract term will only be adjusted if the exercise or non-exercise of an option is reasonably certain.

23 | Use of estimates

The preparation of IFRS consolidated financial statements requires assumptions and estimates affecting the carrying amounts of the assets and liabilities recognised, income and expenses and the disclosure of contingent liabilities.

Among other things, these assumptions and estimates relate to:

- Measurement of investment property: significant measurement parameters include the expected cash flows, the assumed vacancy rate and the discount and capitalisation rates. If market values cannot be derived from transactions for similar properties, they are measured using the DCF method, under which future cash flows are discounted to the end of the reporting period. These estimates involve assumptions concerning the future. In light of the large number of properties affected and their geographical distribution, individual measurement uncertainties are subject to statistical smoothing. Measurement is performed on the basis of publicly available market data (e.g. property market reports by expert committees, data from the service provider INWIS, etc.) and the extensive knowledge of the LEG Group in the respective regional submarkets.

- Recognition and measurement of pension provisions and similar obligations: Provisions for pensions and similar obligations are determined using actuarial calculations. These calculations are based on assumptions about interest rates, future wage and salary developments, mortality tables and future pension increases.

- Recognition and measurement of other provisions: Recognition and measurement is subject to uncertainty concerning future price growth and the amount, timing and probability of utilisation of the respective provision.

- Measurement of financial liabilities: The measurement of financial liabilities depends in particular on estimates of future cash flows and potential changes in terms. Estimates of the company-specific risk premium are also required.

- Measurement of lease liabilities: in determining the incremental borrowing rate, estimates are necessary in respect to the risk premium.

- Recognition of deferred tax assets: Deferred tax assets are recognised if it is probable that future tax benefits will be realised. The actual taxable income in future financial years, and hence the extent to which deferred tax assets can be utilised, can deviate from the estimates made when the deferred tax assets are recognised. Deferred tax assets for tax loss and interest carry-forwards are recognised on the basis of future taxable income for a planning period of five financial years.

- Share-based payment (IFRS 2): Assumptions and judgements regarding the development of performance indicators and fluctuation are required in accounting for stock option plans. They are calculated using option pricing models.

- Goodwill impairment test: The calculation of the FVLCOD requires assumptions and judgements regarding future EBIT development and sustainable growth rates in particular.

- When accounting for business combinations, all identifiable assets, liabilities and contingent liabilities are carried at fair value to the acquisition date. There is estimation uncertainty relating to the determination of these fair values. Land and buildings are generally measured on the basis of independent valuations, technical equipment and machinery at estimated replacement cost. Identifying and measuring intangible assets takes place in line with the type of intangible asset and the complexity of determining fair values using appropriate measurement techniques.

Further information on assumptions and estimates made by management can be found in the disclosures to the individual items of the financial statements. All assumptions and estimates are based on the prevailing circumstances and assessments as at the end of the reporting period.

The estimation of future business development also takes into account the future economic environment that is currently assumed to be realistic in the industries and regions in which the LEG Group operates.

Although the management considers assumptions and estimates applied to be appropriate, unforeseeable changes to these assumptions could affect the Group's net assets, financial position and results of operations. The current Covid-19 situation was taken into account in the discretionary decisions. There were no significant effects.

24 | Share-based payment

The LEG Group has share-based remuneration plans for the Management Board members of LEG Immo. In accordance with IFRS 2, the long-term incentive programme is a cash-settled share-based remuneration programme. The provisions for these obligations are established at the level of the expected expense, with them being distributed pro rata across the defined vesting period. The fair value of the options is determined using recognised financial models.

Details of share-based payment can be found in > section I.6.

E. Notes to the consolidated statement of financial position

1 | Investment properties

Investment property developed as follows in the 2020 and 2019 financial years:

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Investment properties 2020

		Residential assets						
€ million	Total	High-growth markets	Stable markets	Higher-yielding markets	Commercial assets	Parking + other assets	Leasehold	Land values
Carrying amount as of 01.01.2020[1]	**12,031.1**	**5,126.8**	**3,923.0**	**2,390.2**	**225.9**	**219.4**	**113.3**	**32.5**
First-time application IFRS 16	1,139.6	517.6	407.8	106.3	38.0	26.5	39.2	4.3
Other additions	284.6	102.2	99.1	80.2	2.8	0.2	0.0	0.2
Reclassified to assets held for sale	−44.7	−18.0	−13.9	−9.1	−1.9	−1.4	0.0	−0.4
Reclassified to property, plant and equipment	−0.9	−0.6	−0.1	−0.2	0.0	0.0	0.0	0.0
Reclassified from property, plant and equipment	2.6	0.0	0.0	0.0	2.6	0.0	0.0	0.0
Fair value adjustment	1,170.4	516.4	389.8	239.3	−12.4	26.7	12.2	−1.6
Reclassification	0.0	18.6	2.7	−4.5	−23.1	8.7	0.5	−2.9
Carrying amount as of 31.12.2020	**14,582.7**	**6,262.9**	**4,808.4**	**2,802.2**	**231.9**	**280.1**	**165.2**	**32.1**

[1] Extension of the market classification to the entire territory of Germany.

Fair value as at 31.12.2020 (€ million)	1,170.4
thereof as at 31.12.2020 in the portfolio	1,168.5
thereof as at 31.12.2020 disposed investment properties	1.9

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Investment properties 2019

€ million	Total	Residential assets: High-growth markets	Residential assets: Stable markets	Residential assets: Higher-yielding markets	Commercial assets	Parking + other assets	Leasehold	Land values
Carrying amount as of 01.01.2019	**10,709.0**	**4,607.3**	**3,296.8**	**2,212.1**	**209.4**	**184.9**	**3.4**	**30.6**
First-time application IFRS 16	35.8	−26.4	−9.3	−17.9	0.1	−0.1	92.2	0.0
Acquisitions	360.7	134.3	156.2	31.8	7.7	4.1	−0.3	0.2
Other additions	201.5	73.8	66.3	49.3	3.7	0.1	3.6	0.8
Reclassified to assets held for sale	−200.2	−9.3	−55.4	−125.9	−1.1	−4.0	0.0	−2.8
Reclassified from assets held for sale	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Reclassified to property, plant and equipment	−0.5	1.4	−0.1	0.1	−1.6	0.0	−0.2	0.0
Reclassified from property, plant and equipment	1.3	0.0	0.0	0.0	0.0	0.0	1.3	0.0
Fair value adjustment	923.4	427.0	283.8	132.6	7.0	34.7	28.0	3.0
Carrying amount as of 31.12.2019	**12,031.1**	**5,208.1**	**3,738.3**	**2,282.2**	**225.2**	**219.7**	**128.0**	**31.8**

Fair value as a 31.12.2019 (€ million)	923.4
thereof as at 31.12.2019 in the portfolio	923.2
thereof as at 31.12.2019 disposed investment properties	0.2

On 27 December 2019, LEG acquired the F 99 and F 101 projects (land plus defined construction project specifications) from F 101 Projekt GmbH & Co. KG. The purchase prices are due to the acceptance of the completed buildings (F99 anticipated for 1 March 2022/F 101 1 September 2022).

The acquisitions include the following portfolios:

Portfolio acquisition 1
The acquisition of a property portfolio of around 2,010 residential and commercial units was notarised on 27 September 2019. The portfolio generates annual net cold rent of around EUR 7.1 million. The average in-place rent is around EUR 4.97 per square metre and the initial vacancy rate is around 4.5 %. The transaction was closed on 1 January 2020. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 2
The acquisition of a property portfolio of 1,406 residential and commercial units was notarised on 30 January 2020. The portfolio generates annual net cold rent of around EUR 6.0 million. The average in-place rent is around EUR 5.71 per square metre and the initial vacancy rate is around 4.4 %. The transaction was closed on 1 May 2020. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 3
The acquisition of a property portfolio of around 1,081 residential and commercial units was notarised on 16 June 2020. The portfolio generates annual net cold rent of around EUR 4.9 million. The average in-place rent is around EUR 5.79 per square metre and the initial vacancy rate is around 3.0 %. The transaction was closed on 1 August 2020. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Portfolio acquisition 4
The acquisition of a property portfolio of around 6,418 residential and commercial units was notarised on 22 June 2020. The portfolio generates annual net cold rent of around EUR 30.2 million. The average in-place rent is around EUR 5.95 per square metre and the initial vacancy rate is around 2.5 %. The transaction was closed for 6,105 units on 1 November 2020. The transition date for 164 units was 1 January 2021. For 149 units the conditions for falling due have not yet been met. The portfolio acquisition does not constitute a business combination as defined by IFRS 3.

Other additions in the financial year essentially relate to investments in existing properties. The biggest investments in 2020 include the energy modernisation of properties in Monheim, Dortmund, Bonn, Ratingen and Herne.

Investment property broke down as follows in the 2020 and 2019 financial years:

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Composition of investment properties

€ million	31.12.2020 Investment properties	31.12.2020 Properties held for sale	31.12.2019 Investment properties	31.12.2019 Properties held for sale
Developed land	14,245.6	20.6	11,772.2	24.8
Undeveloped land	25.4	0.1	27.7	0.4
Other	311.8	0.9	231.2	–
Total	**14,582.8**	**21.6**	**12,031.1**	**25.2**

With stable low interest rates, the trend remains for rising purchase prices. This price increase affects both cities seeing a high influx of young people, which continue to experience demand pressure, and the surrounding areas. Demand for housing in many cities and regions has exceeded the scare supply of property for many years.

The impact of the coronavirus pandemic is still not definitively known, as the reasons for demand outstripping supply still apply. Investments in existing properties, including for energy efficiency upgrades and improvements to housing quality, are also causing rent prices to rise.

The developments observable on the market are reflected in the calculation of fair values by way of measurement parameters and discount rates.

Sensitivities were as follows as at 31 December 2020:

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Sensitivity analysis 2020

	GAV investment properties	Valuation technique	Sensitivities in %							
			Administrative costs		Stabilised vacancy ratio		Maintenance costs		Capitalisation rate	
Segment	€ million		+10 %	–10 %	+1% pts.	–1% pts.	+10 %	–10 %	+0.25 %	–0.25 %
Residential assets										
High-growth markets	6,242	Discounted Cashflows	–0.7	0.7	–1.6	1.6	–1.7	1.7	–3.3	3.8
Stable markets	4,806	Discounted Cashflows	–0.9	0.9	–1.7	1.7	–2.3	2.3	–2.8	3.2
Higher-yielding markets	2,802	Discounted Cashflows	–1.1	1.1	–1.8	1.8	–2.6	2.6	–2.4	2.7
Commercial assets	232	Discounted Cashflows	–0.2	0.2	–1.7	1.7	–1.1	1.1	–1.9	2.1
Leasehold	165	Discounted Cashflows	–	–	–	–	–	–	–	–
Parking + other assets	280	Discounted Cashflows	–1.2	1.2	–1.1	1.1	–2.3	2.4	–1.8	2.0
Land values	28	Earnings/reference value method	–	–	–	–	–	–	–	–
Total portfolio (IAS 40)[1]	**14,555**	**Discounted Cashflows**	**–0.9**	**0.9**	**–1.6**	**1.7**	**–2.1**	**2.1**	**–2.9**	**3.3**

	Sensitivities in %					
	Discount rate		Market rent		Estimated rent development residential	
Segment	+0.25 %	–0.25 %	+2 %	–2 %	+0.2 %	–0.2 %
Residential assets						
High-growth markets	–5.3	5.7	1.0	–0.9	4.1	–3.7
Stable markets	–4.6	4.9	1.6	–1.5	3.4	–3.2
Higher-yielding markets	–4.3	4.6	1.4	–1.3	3.1	–2.9
Commercial assets	–2.2	2.3	1.5	–1.6	1.6	–1.5
Leasehold	–4.0	4.3	0.0	0.0	0.0	0.0
Parking + other assets	–5.1	5.5	2.4	–1.6	2.9	–2.7
Land values	–	–	–	–	–	–
Total portfolio (IAS 40)[1]	**–4.8**	**5.2**	**1.3**	**–1.2**	**3.6**	**–3.3**

[1] In addition, as at 31 December 2020, there are assets held for sale (IFRS 5) of EUR 21.6 million, which correspond to level 2 of the fair value hierarchy.

Sensitivities were as follows as at 31 December 2019:

T87

Sensitivity analysis 2019

Segment	GAV investment properties € million	Valuation technique	Sensitivities in % Administrative costs +10 %	–10 %	Stabilised vacancy ratio +1% pts.	–1% pts.	Maintenance costs +10 %	–10 %	Capitalisation rate +0.25 %	–0.25 %
Residential assets										
High-growth markets	4,824	Discounted Cashflows	–0.7	0.7	–1.5	1.5	–1.7	1.7	–3.1	3.4
Stable markets	3,665	Discounted Cashflows	–1.0	1.0	–1.7	1.7	–2.4	2.4	–2.6	2.8
Higher-yielding markets	2,200	Discounted Cashflows	–1.1	1.1	–1.7	1.8	–2.7	2.7	–2.1	2.3
Acquisitions	363	Discounted Cashflows	–0.6	1.1	–1.4	1.8	–1.8	2.3	–2.9	3.7
Commercial assets	211	Discounted Cashflows	–0.1	0.4	–1.6	1.9	–1.0	1.3	–2.0	2.5
Leasehold	520	Discounted Cashflows	–1.0	1.0	–1.7	1.7	–2.4	2.4	–2.1	2.3
Parking + other assets	215	Discounted Cashflows	–0.9	1.5	–0.9	1.3	–2.2	2.7	–1.6	2.2
Land values	33	Earnings/reference value method	–	–	–	–	–	–	–	–
Total portfolio (IAS 40)[1]	**12,031**	**Discounted Cashflows**	**–0.8**	**0.9**	**–1.6**	**1.7**	**–2.1**	**2.2**	**–2.6**	**3.0**

Segment	Sensitivities in % Discount rate +0.25 %	–0.25 %	Market rent +2 %	–2 %	Estimated rent development residential +0.2 %	–0.2 %
Residential assets						
High-growth markets	–5.0	5.4	0.5	–0.5	3.9	–3.6
Stable markets	–4.3	4.6	1.5	–1.4	3.2	–3.0
Higher-yielding markets	–4.0	4.3	1.3	–1.1	2.8	–2.6
Acquisitions	–4.6	5.5	2.2	–1.8	3.9	–3.1
Commercial assets	–2.4	2.9	1.7	–1.5	2.2	–1.7
Leasehold	–3.9	4.2	1.5	–1.5	2.8	–2.6
Parking + other assets	–4.7	5.5	2.4	–2.0	3.2	–2.6
Land values	–	–	–	–	–	–
Total portfolio (IAS 40)[1]	**–4.5**	**4.9**	**1.1**	**–1.0**	**3.4**	**–3.1**

[1] In addition, as at 31 December 2019, there are assets held for sale (IFRS 5) of EUR 25.2 million, which correspond to level 2 of the fair value hierarchy.

Some investment property is let under the terms of commercial rental agreements and leases. These rental agreements and leases generally have a term of ten years and contain extension options for a maximum of two times five years.

The Group also has land with third-party heritable building rights with an original contractual term that is generally between 75 and 99 years.

The rental agreements for residential property concluded by the LEG Group can generally be terminated by the tenant giving three months' notice to the end of the month. Accordingly, fixed cash flows in the amount of three monthly rents are expected from these rental agreements.

The following amounts are expected to be due over the coming years based on the minimum lease instalments for long-term rental agreements for commercial property that were in place as at 31 December 2020:

T88

Amount based on minimum lease instalments for long-term rental agreements

	Remaining terms						Total
€ million	up to 1 year	> 1 to 2 years	> 2 to 3 years	> 3 to 4 years	> 4 to 5 years	> 5 years	
31.12.2020	**16.2**	**9.1**	**7.5**	**5.4**	**4.3**	**21.5**	**64.0**
31.12.2019	15.0	8.3	6.9	5.8	4.1	21.4	61.5

Investment property is used almost exclusively as collateral for financial liabilities – see also > section E.11.

2 | Property, plant and equipment

The development of property, plant and equipment is shown in the > consolidated statement of changes in assets (Annex I).

Property, plant and equipment as well as intangible assets included right of use leases of EUR 30.3 million as of 31 December 2020. The right of uses result from rented land and buildings, car leasing, heat contracting, measurement and reporting technology, IT peripheral devices as well as software. In the reporting period right of uses of EUR 9.4 million have been added.

T89

Right of use leases

€ million	31.12.2020	31.12.2019
Right of use buildings	5.2	5.8
Right of use technical equipment and machinery	17.8	19.2
Right of use operating and office equipment	5.9	5.2
Property, plant and equipment	**28.9**	**30.2**
Right of use software	1.4	0.9
Total	**1.4**	**0.9**

3 | Intangible assets

The development of intangible assets is shown in the > consolidated statement of changes in assets (Annex I).

4 | Other financial assets

Other financial assets are composed as follows:

T90

Other financial assets

€ million	31.12.2020	31.12.2019
Investments in affiliates not included in consolidation	0.1	0.2
Investments in equity investments and associates	13.8	12.0
Other financial assets	1.2	11.0
Total	**15.1**	**23.2**

Details of other financial assets can be found in > section I.3.

5 | Receivables and other assets

Receivables and other assets are composed as follows:

T91

Receivables and other assets

€ million	31.12.2020	31.12.2019
Trade receivables, gross	35.4	30.6
Impairment losses	–18.1	–16.2
Total	**17.3**	**14.4**
Thereof attributable to rental and leasing	9.7	7.8
Thereof attributable to property disposals	1.1	0.8
Thereof attributable to other receivables	6.5	5.8
Thereof with a remaining term up to 1 year	17.3	14.4
Thereof with a remaining term of between 1–5 years	–	–
Receivables from uninvoiced operating costs	5.3	9.4
Other financial assets	34.7	52.6
Other miscellaneous assets	7.3	5.7
Total	**47.3**	**67.7**
Thereof with a remaining term up to 1 year	47.1	67.4
Thereof with a remaining term of between 1 – 5 years	0.2	0.3
Total receivables and other assets	**64.6**	**82.1**

Details of receivables from related parties and companies can be found in > section I.7.

6 | Cash and cash equivalents

T92

Cash and cash equivalents

€ million	31.12.2020	31.12.2019
Bank balances	335.4	451.2
Cash and cash equivalents	**335.4**	**451.2**
Restricted disposal balances	2.5	2.1

[1] Previous year's figure adjusted

Bank balances have variable interest rates for overnight deposits. Short-term deposits are made for periods of between one day and three months, depending on the LEG Group's liquidity requirements. Cash and cash equivalents include balances with a fixed purpose. These are reported as balances with restricted access.

7 | Assets held for sale

T93

Assets held for sale

€ million	2020	2019
Carrying amount as of 01.01.	**25.2**	**20.3**
Reclassified from investment properties	44.5	200.5
Reclassified from property, plant and equipment	–	–0.1
Disposal due to sale of land and buildings	–48.2	–195.5
Other additions	0.1	–
Carrying amount as of 31.12.	**21.6**	**25.2**

Investment property was sold again in the reporting period for the purposes of selective portfolio streamlining.

For information on reclassifications from investment property, please see > section E.1.

The reclassifications to investment properties mainly relate to individual objects where the intention to sell no longer exists.

The item "Disposals due to the sale of land and buildings" includes developed and undeveloped land and residential and commercial buildings. The reclassification from investment properties and the disposals mainly relate to individual sales and several smaller block sales (please see > section E.1).

See also > section F.3.

8 | Equity

The change in equity components is shown in the statement of changes in equity.

a) Share capital
By way of resolution of the Annual General Meeting on 19 August 2020, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company on one or more occasions by up to a total of EUR 21,413,950.00 by issuing up to 21,413,950 new registered shares against cash or non-cash contributions by 18 August 2025 (Authorised Capital 2020).

The share capital is contingently increased by up to EUR 35,689,918.00 through the issue of up to 35,689,918 new no-par value bearer shares (Contingent Capital 2013/2017/2018/2020).

On the basis of the authorisation in accordance with section 4.1 of the Articles of Association dated 17 May 2017 – Authorised Capital 2017 – the share capital was increased by EUR 2,370,000.00 to EUR 71,379,836.00. A Supervisory Board resolution on 24 June 2020 amended sections 3 and 4 of the Articles of Association (Share capital and shares, Authorised Capital) accordingly.

On the basis of the authorisation in accordance with section 4.1 of the Articles of Association dated 17 May 2017 – Authorised Capital 2017 – the share capital was increased by EUR 716,107.00 to EUR 72,095,943.00. A Supervisory Board resolution on 15 September 2020 amended sections 3 and 4 of the Articles of Association (Share capital and shares, Authorised Capital) accordingly. The issued shares were fully paid in. The nominal value per share is EUR 1.00.

The Annual General Meeting on 19 August 2020 cancelled the previous Authorised Capital 2017 and created new Authorised Capital 2020 and Contingent Capital 2013/2017/2018, revising section 4.1 and section 4.2 of the Articles of Association accordingly. In total, the gross proceeds from the two capital increases carried out amounted to EUR 354.0 million, of which EUR 3.1 million were allocated to the subscribed capital and EUR 350.9 million were allocated to the capital reserve.

b) Cumulative other reserves
Cumulative other reserves consist of the Group's retained earnings and other reserves.

Retained earnings are composed of the net profits generated by the companies included in consolidation in prior periods and the current period, to the extent that these have not been distributed.

Other reserves consist of adjustments to the fair values of derivatives used as hedging instruments and actuarial gains and losses from the remeasurement of pension obligations.

In the 2020 financial year, there was a distribution to the shareholders of the company for 2019 in the form of a dividend of EUR 257.0 million (EUR 3.60 per share) (of which EUR 84.6 million by issuing new shares).

Cumulative other reserves include the counterparty of the annual guaranteed dividend of EUR 1.8 million to the non-controlling interest of TSP-TechnikServicePlus GmbH.

Non-controlling interest in other comprehensive income amounted to EUR 0.0 million.

9 | Pension provisions

Expenses for defined contribution plans amounted to EUR 5.4 million in the current year (previous year: EUR 4.9 million). These essentially comprise contributions to the statutory pension scheme.

In connection with defined benefit plans, the LEG Group uses actuarial calculations by actuaries to ensure that future developments are taken into account in the calculation of expenses and obligations. Among other things, these calculations are based on assumptions regarding the discount rate and future wage and salary developments.

In accordance with IAS 19, provisions for pensions for defined benefit plans are calculated on the basis of actuarial assumptions. The following parameters were applied in the financial years 2019 and 2020:

T94

Calculation of pension provisions

in %	31.12.2020	31.12.2019
Discounting rate	0.40	0.75
Salary trend	2.75	2.75
Pension trend	1.70	2.00

The present value of the obligation as at 31 December 2020 was EUR 164.0 million. A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation:

T95

Sensitivity of pension provisions 2020

€ million	Increase	Decrease
Discount rate (increase and decrease by 0.5 % pts.)	152.0	177.5
Salary trend (increase and decrease by 0.5 % pts.)	165.5	162.5
Mortality (increase and decrease by 10 %)	157.3	171.6
Pension trend (increase and decrease by 0.25 % pts.)	168.9	159.3

The present value of the obligation as at 31 December 2019 was EUR 171.9 million. A change in the individual parameters, with the other assumptions remaining unchanged, would have affected the present value of the obligation:

T96

Sensitivity of pension provisions 2019

€ million	Increase	Decrease
Discount rate (increase and decrease by 0.5 % pts.)	159.0	185.8
Salary trend (increase and decrease by 0.5 % pts.)	173.3	169.9
Mortality (increase and decrease by 10 %)	164.6	179.5
Pension trend (increase and decrease by 0.25 % pts.)	176.7	166.6

Increases or reductions in the discount rate, the salary trend, the pension trend and mortality do not affect the calculation of the defined benefit obligation (DBO) with the same absolute amount.

If several assumptions are changed at the same time, the total amount is not necessarily the same as the total of the individual effects resulting from the changes in assumptions. It should also be noted that the sensitivities reflect a change in the DBO only for the specific respective degree of the change in assumptions (e. g. 0.5 % points). If the assumptions change to a different extent this will not necessarily have a straight-line impact on the DBO.

The following table shows the development of pension obligations. In the absence of plan assets, the present value of the obligation in both years is the same as both the recognised provision and the plan deficit.

T97

Development of pension obligations

€ million	2020	2019
Present value of obligations as of 01.01.	**171.9**	**149.3**
Service cost	1.9	1.5
Interest expenses	1.3	2.5
Disposals	–	–
Payments	–6.7	–6.7
Remeasurement	–4.4	25.3
Thereof losses (gains) from changes in experience	–7.3	2.6
Thereof losses (gains) arising from changes in financial assumptions	2.9	22.7
Thereof losses (gains) arising from changes in demographic assumptions	–	–
Present value of obligations as of 31.12.	**164.0**	**171.9**

EUR 52.2 million of the present value of the obligation relates to current employees covered by the plan (previous year: EUR 52.8 million), EUR 14.6 million to employees who have left the company and whose rights are not yet vested (previous year: EUR 15.1 million) and EUR 97.2 million to pensioners (previous year: EUR 104.0 million).

A pension payment of EUR 6.6 million (previous year: EUR 6.9 million) is expected for 2021. The duration of the defined benefit obligation is 14.6 years (previous year: 14.8 years).

10 | Other provisions

Other provisions are composed as follows:

T98

Other provisions

€ million	31.12.2020	31.12.2019
Provisions for partial retirement	2.8	1.9
Staff provisions	**2.8**	**1.9**
Construction book provisions	2.5	2.6
Provisions for other risks	26.9	17.9
Provisions for litigation risks	0.8	0.8
Provisions for lease properties	0.2	0.3
Provision for costs of annual financial statements	1.0	1.1
Archiving provision	0.9	0.8
Other provisions	**32.3**	**23.5**

Details of the development of provisions can be found in > Annex II.

Construction book provisions contain amounts for outstanding measures and guarantees relating to development projects and property development measures.

The other provisions essentially relate to obligations from a former residential property development project with 47 detached houses and a purchase price obligation in connection with the LWS Plus GmbH business combination.

The cash outflows from provisions are expected to amount to EUR 27.8 million within one year (previous year: EUR 20.2 million) and EUR 7.3 million after one year (previous year: EUR 5.2 million).

11 | Financing liabilities

Financing liabilities are composed as follows:

T99

Financing liabilities

€ million	31.12.2020	31.12.2019
Financing liabilities from real estate financing	5,776.1	4,973.4
Financing liabilities from lease financing	92.9	80.5
Financing liabilities	**5,869.0**	**5,053.9**

Financing liabilities from property financing serve the financing of investment properties.

The consolidated financial statements of LEG Immo reported financial liabilities from real estate financing of EUR 5,776.1 million as at 31 December 2020.

In the financial year 2020, the issuance of a convertible bond with an IFRS carrying amount of EUR 523.8 million, the issuance of a registered bond with an IFRS carrying amount as at the reporting date of EUR 50.6 million, the loan liabilities assumed as part of an acquisition with an IFRS carrying amount as at the reporting date of EUR 14.5 million and the cash payments of loans with an IFRS carrying amount of EUR 389.9 million increased the financing liabilities. Scheduled and unscheduled repayments of EUR 190.2 million and the amortisation of transaction costs had an opposite effect.

Financing liabilities from real estate financing include among other things two convertible bonds with a nominal value of EUR 550.0 million and an IFRS carrying amount of EUR 523.8 million and a nominal value of EUR 400.0 million and an IFRS carrying amount of EUR 389.6 million as well as three corporate bonds, one with a nominal value of EUR 500.0 million (IFRS carrying amount of EUR 502.9 million), one with a nominal amount of EUR 300.0 million (IFRS carrying amount of EUR 295.3 million), and one with a nominal amount of EUR 500.0 million (IFRS carrying amount of EUR 495.2 million).

The convertible bonds were classified and recognised in full as debt due to the issuer's contractual cash settlement option. There are several embedded derivatives and derivatives that must be separated that are to be jointly regarded as a compound derivative and carried at fair value. The host debt instrument is recognised at amortised cost.

The equity interests in individual companies and rent receivables serve as security for some loan agreements. The expected rent pledged as security amounted to EUR 520.1 million in the 2020 financial year (previous year: EUR 525.3 million).

In addition to security in the form of land charges, potential receivables from buildings insurance have been pledged to the creditors of the respective land charges. By contrast, the security provided in the form of pledged rent receivables is increased by the corresponding receivables for incidental costs. For certain loan agreements there are also additional surety bonds and the joint and several liabilities of additional LEG companies to the respective bank.

The EUR 12.4 million rise in financial liabilities from lease financing in the reporting year essentially reflected the acquisition of leaseholds. Already concluded leases starting after the reporting date will result in cash outflows of EUR 3.2 million (previous year: EUR 0.4 million).

a) Financing liabilities from real estate financing
The maturities shown in the consolidated financial statements are based on the contractually agreed maturities.

The remaining terms of financing liabilities from real estate financing are composed as follows:

T100

Maturity of financing liabilities from real estate financing

	Remaining term			Total
€ million	< 1 year	> 1 and 5 years	> 5 years	
31.12.2020	**480.4**	**2,086.3**	**3,209.4**	**5,776.1**
31.12.2019	187.5	1,456.3	3,329.6	4,973.4

The main driver for the changes in maturity of financing liabilities as against 31 December 2019 is the issuance of the convertible bond 2020, the reclassification of the convertible bond 2017, cash payments of loans as well as repayment of the commercial papers.

b) Financing liabilities from lease financing
Financing liabilities from lease financing are composed as follows:

T101

Maturity of financing liabilities from lease financing

€ million	Remaining term < 1 year	> 1 and 5 years	> 5 years	Total
31.12.2020	**10.8**	**20.8**	**61.3**	**92.9**
31.12.2019	9.5	21.3	49.7	80.5

12 | Other liabilities

Other liabilities are composed as follows:

T102

Other liabilities

€ million	31.12.2020	31.12.2019
Interest derivatives	173.0	99.3
Advance payments received	34.5	35.3
Liabilities from shareholder loans	0.0	0.6
Trade payables	124.1	140.9
Rental and lease liabilities	26.3	26.3
Liabilities from other taxes	0.1	–0.2
Liabilities to employees	10.0	7.4
Social security liabilities	0.0	0.1
Operating cost liabilities	1.1	1.6
Interest benefit recognised as a liability	4.5	4.9
Other miscellaneous liabilities	82.2	75.7
Other liabilities	**455.8**	**391.9**
Thereof with a remaining term up to 1 year	325.8	239.2
Thereof with a remaining term of between 1–5 years	22.4	25.5
Thereof with a remaining term of more than 5 years	107.6	127.2

The increase in other liabilities from derivative financial instruments result primarily from the convertible bond issued in 2020 and the valuation effects from the existing convertible bond.

13 | Deferred tax assets and liabilities

Deferred tax assets and liabilities result from temporary differences between the IFRS and tax carrying amounts and tax loss and interest carry-forwards and are broken down as follows:

T103

Deferred tax assets and liabilities

€ million	31.12.2020 Deferred tax assets	31.12.2020 Deferred tax liabilities	31.12.2019 Deferred tax assets	31.12.2019 Deferred tax liabilities
Non-current assets				
Investment properties	2.8	1,432.9	0.3	1,386.3
Other miscellaneous non-current assets	0.9	9.8	1.5	10.6
Current assets	1.4	1.0	2.2	3.0
Non-current liabilities				
Pension provisions	27.9	–	29.7	–
Other provisions	0.5	0.2	1.0	5.0
Other non-current liabilities	45.9	25.5	35.6	23.8
Current liabilities				
Other provisions	0.6	0.4	0.9	0.3
Other current liabilities	5.8	4.7	8.8	1.6
Total deferred taxes from temporary differences	**85.8**	**1,474.5**	**80.0**	**1,430.6**
Deferred taxes on loss carryforwards	40.1	–	30.8	–
Total deferred taxes	**125.9**	**1,474.5**	**110.8**	**1,430.6**
Netting	118.4	118.4	99.3	99.3
Carrying amount	**7.5**	**1,356.1**	**11.5**	**1,331.3**

The deferred taxes from non-current assets and non-current liabilities in the table above are expected to reverse more than twelve months after the end of the reporting period.

T104

Deferred tax assets from tax loss

€ million	31.12.2020	31.12.2019
Corporation tax	14.8	13.7
Trade tax	20.7	17.1
Total	**35.5**	**30.8**

Deferred tax assets from unused tax losses are recognised in the same amount as deferred tax liabilities from temporary differences. Deferred tax assets from unused tax losses in excess of this amount are recognised to the extent that it is probable that the company will generate taxable income. No deferred tax assets were recognised on tax loss and interest carry-forwards of EUR 434.5 million as at the end of the reporting period (previous year: EUR 447.4 million). Tax loss carry-forwards are generally not vested.

T105

Deferred tax assets on grant carried forwards in acc. with 10b EStG

€ million	31.12.2020	31.12.2019
Corporation tax	2.3	–
Trade tax	2.3	–
Total	**4.6**	**–**

A deferred tax asset of EUR 4.6 million was recognised on a grant carried forward in accordance with section 10b of the German Income Tax Act (Einkommenssteuergesetz – EStG) for the first time in the last financial year. The grant carried forward is generally not vested.

Interest expenses are tax-deductible up to the amount of interest income. Above and beyond this amount, deductibility is limited to 30 % of taxable EBITDA for the financial year (interest barrier), unless the exemption limit or the equity escape clause comes into force.

Non-deductible interest expenses in the current financial year are carried forward to subsequent periods. Deferred tax assets are recognised for interest carried forward only to the extent that it is probable that the interest expenses can be utilised in subsequent financial years. Owing to the effective conclusion of profit transfer agreements between the subsidiaries that hold the property portfolios and the Group company LEG in 2012 and the resulting fiscal entity for corporation and trade tax purposes, the interest barrier does not apply to the fiscal entity, as was the case in the previous year.

In the last financial year, the remeasurement of primary and derivative financial instruments increased equity by EUR 0.4 million (previous year: increase in equity of EUR 3.3 million), while actuarial gains and losses decreased equity by EUR 1.5 million (previous year: increase in equity of EUR 7.4 million). As at the end of the reporting period, deferred tax assets recognised directly in equity amounted to EUR 28.5 million (previous year: EUR 29.6 million).

No deferred tax liabilities were recognised on temporary differences in connection with shares in subsidiaries, associates and joint ventures that are not expected to reverse in the foreseeable future in accordance with IAS 12.39 of EUR 55.7 million (previous year: EUR 33.7 million).

F. Notes to the consolidated statement of comprehensive income

1| Revenue

The LEG Group generates revenue from the transfer of goods and services both over a period in time and a point in time from the following areas:

T106

Revenues 2020

€ million	2020		
	Rental and lease income	Income from the disposal of investment properties	Revenues from other services
Timing of revenue recognition			
At a certain point of time	–	48.2	12.2
Over a period of time	860.8	–	–
Total	**860.8**	**48.2**	**12.2**

T107

Revenues 2019

€ million	2019		
	Rental and lease income	Income from the disposal of investment properties	Revenues from other services
Timing of revenue recognition			
At a certain point of time	–	195.3	9.5
Over a period of time	809.4	–	–
Total	**809.4**	**195.3**	**9.5**

The following overview summarises the assessment of whether a contract with a customer satisfies the definition of IFRS 15 and whether the LEG Group qualifies as a principal (gross revenue) or an agent (net revenue) in sales:

T108

Allocable operating costs

€ million	Principal – agent relations acc. to IFRS 15	2020	2019
Operating costs – land tax	–	22.9	30.2
Operating costs – cold water supply	Agent	37.8	35.1
Operating costs – draining	Agent	26.0	24.7
Operatings costs – hot water supply	Principal	0.4	0.5
Operatings costs – elevator	Principal	2.8	3.0
Operatings costs – waste disposal	Principal	37.8	33.5
Operatings costs – vermin control	Principal	0.7	0.6
Operatings costs – gardening	Principal	15.8	15.3
Operatings costs – chimney sweep	Principal	1.3	1.3
Operatings costs – caretaker	Principal	0.9	0.3
Operatings costs – property and liability insurance	–	28.4	26.6
Operatings costs – washing facilites	–	0.2	0.2
Operatings costs – smoke alarms	–	0.5	0.7
Operatings costs – heating costs/heat supply	Principal	37.0	45.5
Operatings costs – street cleaning	Agent	5.5	6.3
Operatings costs – cleaning of building	Principal	7.3	6.2
Operatings costs – lightning	Principal	0.3	–0.5
Operatings costs – cabel and TV multimedia	Principal	2.1	2.7

Assets and liabilities from customer contracts

T109

Assets and liabilities from customer contracts

€ million	2020	2019
Current assets from ancillary costs	5.3	9.4
Impairment of ancillary costs	1.1	0.8
Total assets from customer contracts	**6.4**	**10.2**
Current liabilities from customer contracts	–16.7	–33.0
Total liabilities from customer contracts	**–16.7**	**–33.0**

Revenues from operating costs relate to contracts with customers which separately amounted to EUR 292.9 million at the beginning of the period (previous year: EUR 284.6 million). These are countered by nettable assets of EUR 299.0 million (previous year: EUR 269.3 million).

2 | Net rental and lease income

T110

Net rental and lease income

€ million	2020	2019
Net cold rent	627.3	586.1
Net income from operating costs	–2.5	–2.8
Maintenance expenses for externally procured services	–62.3	–61.0
Employee benefits	–75.4	–68.2
Impairment losses on rent receivables	–10.6	–7.9
Depreciation	–56.2	–10.0
Others	9.5	–1.2
Net rental and lease income	**429.8**	**435.0**
Net operating income margin (in %)	**68.5**	**74.2**
Non-recurring project costs – rental and lease	7.0	8.3
Depreciation	56.2	10.0
Recurring net rental and lease income	**493.0**	**453.3**
Recurring net operating income margin (in %)	**78.6**	**77.3**

The LEG Group increased its net rental and lease income by EUR 41.2 million (7.0 %) against the comparative period. In-place rent per square metre on a like-for-like basis rose by 2.3 % in the reporting period. The increase in other is mainly due to the expansion of value-added services. This was countered by the increase in staff costs by EUR 7.2 million, which was mainly due to an increase in the number of hired workers and to tariff increase. The rise in depreciation and amortisation expenses is a result of the goodwill impairment.

Recurring net rental and lease income rose by 8.8 %, more strongly than the net cold rent. As a result, the recurring net operating income (NOI) margin further increased to 78.6 % in the 2020 financial year (previous year: 77.3 %).

In the reporting period following depreciation expenses for right of use from leases are included:

T111

Depreciation expenses of leases

€ million	2020	2019
Right of use buildings	0.2	0.1
Right of use technical equipment and machines	4.9	4.9
Right of use operating and office equipment	2.2	2.0
Depreciation expenses of leases	**7.3**	**7.0**

In the reporting period expenses of leases of a low-value asset of EUR 0.5 million were included in the net rental and lease income (previous year: EUR 0.3 million).

3 | Net income from the disposal of investment properties

Net income from the disposal of investment properties is composed as follows:

T112

Net income from the disposal of investment properties

€ million	2020	2019
Income from the disposal of investment properties	48.2	195.3
Carrying amount of investment properties disposed of	–48.4	–195.5
Income/loss from the disposal of investment properties	**–0.2**	**–0.2**
Valuation gains due to disposal	0.9	0.2
Adjusted income/loss from the disposal of investment properties	**0.7**	**0.0**
Staff costs	–0.8	–0.6
Other operating expenses	–0.3	–0.5
Cost of sale in connection with investment properties sold	**–1.1**	**–1.1**
Net income from the disposal of investment properties	**–1.3**	**–1.3**

Disposals of investment properties decreased in the reporting period.

Income from disposals came to EUR 48.2 million (previous year: EUR 195.3 million). This decline in sales proceeds is attributable chiefly to a block sale notarised in the 2019 financial year.

4 | Changes in value of investment properties

Net income from the remeasurement of investment property amounted to EUR 1,170.4 million in 2020 (previous year: EUR 923.4 million). Based on the property portfolio as at the beginning of the financial year (including remeasured acquisitions), this corresponds to an increase of 9.4 % (previous year: 8.3 %).

The average value of residential investment property (including IFRS 5 properties) was EUR 1,503 per square metre as at 31 December 2020 (previous year: EUR 1,353 per square metre) including acquisitions and EUR 1,504 per square metre not including acquisitions. Including investments in modernisation and maintenance work, the average portfolio value thus increased by 11.2 % in the financial year (previous year: 12.4 %).

The increase in the value of the portfolio is largely a result of the positive development of in-place rents and the reduction in the discount and capitalisation rate.

5 | Net income from other services

Net income from other services is composed as follows

T113

Net income from other services

€ million	2020	2019
Income from other services	**12.2**	**9.5**
Purchased services	–1.3	–0.7
Other operating expenses	–2.7	–1.8
Employee benefits	–1.1	–0.9
Depreciation, amortisation and write-downs	–2.9	–2.8
Expenses in connection with other services	**–8.0**	**–6.2**
Net income from other services	**4.2**	**3.3**

Other services include electricity and heat fed to the grid, IT services for third parties and management services for third-party properties.

Operating earnings from the electricity and heat generated improved considerably on the previous year, which saw a lengthy workover that resulted in downtime for the biomass heating plant.

6 | Administrative and other expenses

Administrative and other expenses are composed as follows:

T114

Administrative and other expenses

€ million	2020	2019
Other operating expenses	–16.0	–31.5
Staff costs	–23.6	–30.1
Purchased services	–1.6	–1.1
Depreciation, amortisation and write-downs	–25.2	–3.4
Administrative and other expenses	**–66.4**	**–66.1**

The other operating expenses contained in the table above are composed as follows:

T115

Other operating expenses

€ million	2020	2019
Legal and consulting costs	–9.7	–8.3
Rent and other costs of business premises	–4.0	–4.1
Annual financial statement, accounting and audit costs	–2.6	–2.1
Expenses for postage, telecommunications, IT	–0.3	–0.5
Temporary staff	–0.2	–0.1
Vehicles	–0.4	–0.4
Travel expenses	–0.4	–0.6
Advertising expenses	–0.4	–0.4
Other expenses	2.0	–4.7
Others	0.0	–10.3
Other operating expenses	**–16.0**	**–31.5**

The decrease in other operating expenses stemmed mainly from extraordinary staff costs in the previous year and donations of EUR 16.0 million to the “Your Home Helps” foundation in 2019, which were recognised in other operating expenses. Higher depreciation and amortisation expenses relate to the EUR 21.0 million goodwill correction in the reporting year.

Recurring administrative expenses are unchanged at EUR 33.2 million.

In the reporting period following depreciation expenses for right of use from leases are included.

T116

Depreciation expense of leases

€ million	2020	2019
Right of use buildings	2.0	2.0
Right of use operating and office equipment	0.3	0.3
Right of use software	0.2	0.1
Depreciation expense of leases	**2.5**	**2.4**

In the reporting period depreciation expenses of leases of a low-value asset of EUR 0.1 million (previous year: EUR 0.1 million) were included.

7| Interest expenses

Interest expenses are composed as follows:

T117

Interest expenses

€ million	2020	2019
Interest expenses from real estate and bond financing	–68.4	–68.6
Interest expense from loan amortisation	–15.6	–34.9
Prepayment penalty	–1.0	–27.6
Interest expense from interest derivatives for real estate financing	–8.3	–7.9
Interest expense from change in pension provisions	–1.3	–2.5
Interest expense from interest on other assets and liabilities	–3.4	–6.5
Interest expenses from lease financing	–2.1	–2.2
Other interest expenses	–2.1	–2.9
Interest expenses	**–102.2**	**–153.1**

Interest expenses decreased by EUR 50.9 million year-on-year to EUR –102.2 million. This includes the interest expense from loan amortisation, which decreased by EUR 19.3 million year on year to EUR –15.6 million. The interest expense from loan amortisation includes the measurement of the convertible and corporate bonds at amortised cost of EUR –7.2 million (previous year: EUR –21.3 million).

The main driver for the decrease are the refinancings carried out in the financial year 2019, which resulted in prepayment penalties of EUR –25.1 million in the financial year 2019. The early conversion of the convertible bond issued in 2014 also led to higher interest expenses from loan amortisation of EUR –17.7 million. The issue of the two corporate bonds in the fourth quarter 2019 as well as the issued convertible bond in June 2020 had an opposite effect.

In the reporting period, net income from the fair value measurement of derivatives resulted primarily from changes in the fair value of embedded derivatives from the convertible bond of EUR –43.6 million (previous year: EUR –94.8 million). This decline was a result chiefly of the bond converted in 2019, which had accounted for a considerable share of derivatives' measurement gains or losses in previous years. This was offset by the measurement effects of existing convertible bonds and the new convertible bond assumed in 2020.

The decline in prepayment penalties to EUR –1.0 million was due primarily to EUR –25.1 million in early refinancing of bank and subsidised loans in the 2019 financial year.

The decrease in interest on other assets and liabilities essentially resulted from the measurement of the put options.

8| Net income from the fair value measurement of derivatives

The gains and losses on the remeasurement of standalone derivatives and the ineffective portion of interest hedging instruments are reported in net income from the fair value measurement of derivatives.

The net income from the fair value measurement of derivatives in the past financial year was EUR –43.8 million (previous year: EUR –96.1 million).

The net income from the fair value measurement of derivatives in the reporting period primarily results from changes in the fair value of the embedded derivative from the convertible bond of EUR –43.6 million (previous year: EUR –94.8 million).

Ineffective hedges of EUR 0.0 million (previous year: EUR 0.0 million) were reported for the 2020 financial year.

9 | Income taxes

Income tax expense and income are broken down by origin as follows:

T118

Income taxes

€ million	2020	2019
Current income taxes	–2.9	–15.0
Deferred taxes	–27.6	–215.2
Income taxes	**–30.5**	**–230.2**
Thereof tax reimbursement for prior years	0.1	0.1

Based on the consolidated net profit before income taxes and the expected income tax expense, the reconciliation to current income taxes is as follows:

T119

Reconciliation to current income tax expenses

€ million	2020	2019
IFRS earnings before income taxes	1,395.0	1,051.3
Group tax rate in %	31.2	31.2
Forecast income taxes	**–435.6**	**–328.3**
Tax reduction due to tax-free income and off-balance sheet deductions	386.0	111.3
Additional taxes due to non-deductible expenses and off-balance sheet additions	–14.0	–9.5
Tax effect due to deferred tax assets on tax losses carryforwards and not recognised deferred tax assets due to lack of recoverability	8.3	–2.2
Tax effect from goodwill impairment	20.8	–
Tax expenses relating to prior periods	0.9	–1.4
Tax decreases/increases due to changes in tax rate	–0.6	–
Other	3.6	–0.2
Income taxes as per statement of comprehensive income	**–30.5**	**–230.2**
Effective tax rate in %	2.2	21.9

The deferred taxes from non-current assets and non-current liabilities are expected to reverse after more than twelve months after the end of the reporting period.

The tax rate applied in calculating theoretical income tax takes into account the current and expected future tax rates for corporate income tax (15 %), the solidarity surcharge (5.5 % of corporate income tax) and trade tax (15.4 %) based on a basic rate of 3.5 % and an average assessment rate of 440 % (city of Dusseldorf).

10 | Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to the shareholders by the average number of shares outstanding during the financial year.

On 25 June 2020, LEG Immo implemented a capital increase with shareholders' pre-emptive rights disapplied by way of accelerated bookbuilding. A total of 2,370,000 new shares were placed.

Due to issuing stock dividends for the financial year 2019 a capital increase was carried out on 22 September 2020. A total of 716,107 new shares were issued.

T120

Earnings per share (basic)

	2020	2019
Net profit or loss attributable to shareholders in € million	1,361.2	817.2
Average numbers of shares outstanding	70,431,265	64,820,501
Earnings per share (basic) in €	**19.33**	**12.61**

T121

Earnings per share (diluted)

	2020	2019
Net profit or loss attributable to shareholders in € million	1,361.2	817.2
Convertible bond coupon after taxes	3.7	2.7
Measurement of derivatives after taxes	43.6	82.5
Amortisation of the convertible bond after taxes	4.2	13.5
Net profit or loss for the period for diluted earnings per share	1,412.7	915.9
Average weighted number of shares outstanding	70,431,265	64,820,501
Number of potentially new shares in the event of exercise of conversion rights	5,221,637	8,323,909
Number of shares for diluted earnings per share	75,652,902	73,144,410
Subtotal	**18.67**	**12.52**
Diluted earnings per share in €	**18.67**	**12.52**

As at 31 December 2020, LEG Immo had potential ordinary shares from convertible bonds, which authorise the bearer to convert it into up to 5.2 million shares.

Diluted earnings per share are calculated by increasing the average number of shares outstanding by the number of all potentially dilutive shares. The net profit/loss for the period is adjusted for the expenses no longer incurring for the interest coupon, the measurement of the embedded derivatives, the amortisation of the convertible bonds and the resulting tax effect in the event of the conversion rights being exercised in full.

EPRA earnings per share – not an IFRS indicator

The following table shows earnings per share according to the best practice recommendations by EPRA (European Public Real Estate Association):

T122

EPRA earnings per share

€ million	Q4 2020	Q4 2019	2020	2019
Net profit or loss for the period attributable to parent shareholders	707.8	331.0	1,361.2	817.2
Changes in value of investment properties	–577.0	–371.8	–1,170.4	–923.4
Profits or losses on disposal of investment properties, development properties held for investment, other interests and sales of trading properties including impairment charges in respect of trading properties	–0.5	–0.7	2.8	2.1
Tax on losses on disposals and real estate inventory	0.4	9.4	1.4	12.3
Changes in fair value of financial instruments and associated close-out costs	0.1	3.5	43.8	96.1
Acquisition costs on share deals and non-controlling joint venture interests	–0.4	11.4	3.9	11.4
Deferred tax in respect of EPRA-adjustments	105.7	86.6	214.2	211.9
Refinancing expenses	0.6	20.3	1.0	25.2
Other interest expenses	1.0	2.7	2.1	2.9
Non-controlling interests in respect of the above	1.6	0.1	2.0	0.4
EPRA earnings	**239.3**	**92.5**	**462.0**	**256.1**
Weighted average number of shares outstanding	72,095,943	69,001,211	70,431,265	64,820,501
= EPRA earnings per share (undiluted) in €	3.32	1.34	6.56	3.95
Potentially diluted shares	3,438,349	2,822,177	3,438,349	4,912,532
Interest coupon on convertible bond after taxes	0.7	–	2.8	–
Amortisation expenses convertible bond after taxes	1.2	–1.5	1.9	11.7
EPRA earnings (diluted)	241.2	91.0	466.7	267.8
Number of diluted shares	75,534,292	71,823,388	73,869,614	69,733,033
= EPRA earnings per share (diluted) in €	**3.24**	**1.28**	**6.32**	**3.84**

G. Notes to the consolidated statement of cash flows

1 | Composition of cash and cash equivalents

The cash and cash equivalents shown in the statement of cash flows correspond to the cash and cash equivalents reported in the statement of financial position, i. e. cash on hand and bank balances.

2 | Other notes to the statement of cash flows

The LEG Group has so far paid EUR 20.2 million, including bank balances of EUR 2.4 million, for the LWS Plus GmbH company which was consolidated for the first time in accordance with IFRS 3.

LEG Immo received EUR 50.0 million from the issue of a registered bond in the financial year, EUR 544.0 million from issuing a convertible bond and EUR 269.6 million from the capital increase.

The EUR 1.8 million distributed to non-controlling shareholders relates to the non-controlling interests in TechnikServicePlus GmbH.

The remaining EUR 1.3 million paid relates to former non-controlling interests in EnergieServicePlus GmbH.

The cash payments for the acquisition of companies in accordance with IFRS 3 are recognised as cash payments for consolidated companies, while payments related to acquisitions not in accordance with IFRS 3 are presented as cash payments for investment properties.

The cash outflow for the repayment of bank loans also included prepayment penalties and payments for the reversal of hedges incurred due to early loan repayments. Interest payments are reported in cash flow from operating activities. In the reporting year, total cash outflows for leases amounted to EUR 13.7 million (previous year: EUR 13.3 million).

T123

Reconciliation financial liabilities 2020

			Non-Cash Changes				
€ million	01.01.2020	Cash Flows	Acquisition	Changes in fair value	Amortisation from effective interest method	Others	31.12.2020
Financial liabilities	4,973.4	807.2	–	–	15.6	−20.1	5,776.1
Lease liabilities	80.5	−11.0	23.4	–	–	–	92.9
Total	**5,053.9**	**796.2**	**23.4**	**–**	**15.6**	**−20.1**	**5,869.0**

T124

Reconciliation financial liabilities 2019

			Non-Cash Changes				
€ million	01.01.2019	Cash Flows	Acquisition	Changes in fair value	Amortisation from effective interest method	Others	31.12.2019
Financial liabilities	4,575.0	646.8	–	–	34.9	−283.3	4,973.4
Lease liabilities	81.9[1]	−10.7	9.3	–	–	–	80.5
Total	**4,656.9**	**636.1**	**9.3**	**–**	**34.9**	**−283.3**	**5,053.9**

[1] Adjustment of previous year's figure due to first time application of IFRS 16

H. Notes on Group segment reporting

As a result of the revision of internal management reporting, LEG Immo has no longer been managed as two segments since the 2016 financial year. The Group has since been managed as one segment. Other disclosures

I. Other disclosures

1 | Overview of cost types

The following cost types are contained in the various functions:

T125

Cost types

€ million	2020	2019
Purchased services	265.8	264.6
Employee benefits	102.2	100.9
Depreciation, amortisation and write-downs	84.4	16.2
Other operating expenses	54.7	69.2

Other operating expenses include income from the reversal of write-downs and provisions. Staff costs of EUR 102.2 million are composed as follows:

T126

Employee benefits

€ million	2020	2019
Wages and salaries	84.8	83.5
Social security	15.9	16.0
Pension and other benefits	1.5	1.4
Total	**102.2**	**100.9**

2 | Capital management

The LEG Group's aim with regard to capital management is twofold: to ensure the continuation of the company and to generate returns for shareholders. All other LEG Group interest groups should also receive the benefits to which they are entitled. Overall, the aim is to increase the value of the LEG Group.

This end-to-end capital management strategy has not changed since the previous year.

As is typical for the industry, the LEG Group monitors capital on the basis of loan-to-value (LTV). LTV describes the ratio of net debt to the fair value of investment property. Net debt is calculated by deducting cash and cash equivalents from financing liabilities.

As in the previous year, the LEG Group's goal in the financial year was to maintain an appropriate level of gearing in order to ensure continued access to debt financing in the long term at economically appropriate costs. LTV as at 31 December 2020 and 31 December 2019 was calculated as follows:

T127

Net gearing (LTV)

€ million	31.12.2020	31.12.2019
Financing liabilities	5,869.0	5,053.9
Minus lease liabilities IFRS 16 (not land lease)	30.8	31.8
Cash and cash equivalents	335.4	451.2
Net debt	**5,502.8**	**4,570.9**
Investment properties	14,582.7	12,031.1
Assets held for sale	21.6	25.2
Prepayments for investment properties	43.3	53.5
Total	**14,647.6**	**12,109.8**
Net gearing (LTV) in %	**37.6**	**37.7**

The assets held for sale shown in the above table relate solely to investment property.

The Group is subject to covenants that were not breached in either the reporting year or the previous year. The aims of capital management were achieved in the year under review.

Details of restricted funds can be found in > section E.6.

3 | Financial instruments

a) Other disclosures on financial instruments

The table below shows the financial assets and liabilities broken down by measurement category and class. Receivables and liabilities from finance leases and derivatives used as hedging instruments are included even though they are not assigned to an IFRS 9 measurement category. Non-financial assets and non-financial assets are also included for the purposes of reconciliation even though they are not covered by IFRS 7:

T128

Classes of financial instruments for financial assets and liabilities 2020

€ million	Carrying amounts as per statement of financial positions 31.12.2020	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 31.12.2020
Assets					
Other financial assets	**15.1**				**15.1**
AC	1.3	1.3			1.3
FVtPL	13.8		13.8		13.8
Hedge accounting derivatives	–				–
Receivables and other assets	**64.6**				**64.6**
AC	57.6	57.6			57.6
Other non-financial assets	7.0				7.0
Cash and cash equivalents	**335.4**				**335.4**
AC	335.4	335.4			335.4
Total	**415.1**	**394.3**	**13.8**		**415.1**
Of which IFRS 9 measurement categories					
AC	394.3	394.3			394.3
FVtPL	13.8		13.8		13.8

AC = Amortized Cost
FVtPL = Fair Value through profit and loss

€ million	Carrying amounts as per statement of financial positions 31.12.2020	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IFRS 16)	Fair value 31.12.2020
Equity and liabilities					
Other financial assets	**–5,869.0**				**–6,241.8**
FLAC	–5,776.1	–5,776.1			–6,241.8
Hedge accounting derivatives	–92.9			–92.9	
Receivables and other assets	**–455.8**				**–455.8**
FLAC	–166.1	–166.1			–166.1
Derivatives HFT	–127.0		–127.0		–127.0
Hedge accounting derivatives	–46.1				–46.1
Other non-financial liabilities	–116.6				–116.6
Total	**–6,324.8**	**–5,942.2**	**–127.0**	**–92.9**	**–6,697.6**
Of which IFRS 9 measurement categories					
FLAC	–5,942.2	–5,942.2			–6,407.9
Derivatives HFT	–127.0		–127.0		–127.0

FLAC = Financial Liabilities at Cost
HFT = Held for Trading

T129

Classes of financial instruments for financial assets and liabilities 2019

€ million	Carrying amounts as per statement of financial positions 31.12.2019	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IAS 17)	Fair value 31.12.2019
Assets					
Other financial assets	**23.2**				**23.2**
AC	11.2	11.2			11.2
FVtPL	12.0		12.0		12.0
Hedge accounting derivatives	–				–
Receivables and other assets	**82.0**				**82.0**
AC	76.7	76.7			76.7
Other non-financial assets	5.3				5.3
Cash and cash equivalents	**451.2**				**451.2**
AC	451.2	451.2			451.2
Total	**556.4**	**539.1**	**12.0**		**556.4**
Of which IFRS 9 measurement categories					
AC	539.1	539.1			539.1
FVtPL	12.0		12.0		12.0

AC = Amortized Cost
FVtPL = Fair Value through profit and loss

€ million	Carrying amounts as per statement of financial positions 31.12.2019	Measurement (IFRS 9) Amortised cost	Measurement (IFRS 9) Fair value through profit or loss	Measurement (IAS 17)	Fair value 31.12.2019
Equity and liabilities					
Other financial assets	**–5,053.9**				**–5,306.8**
FLAC	–4,973.4	–4,973.4			–5,306.8
Hedge accounting derivatives	–80.5			–80.5	
Receivables and other assets	**–391.9**				**–391.9**
FLAC	–126.8	–126.8			–126.8
Derivatives HFT	–60.3		–60.3		–60.3
Hedge accounting derivatives	–39.0				–39.0
Other non-financial liabilities	–165.8				–165.8
Total	**–5,445.8**	**–5,100.2**	**–60.3**	**–80.5**	**–5,698.7**
Of which IFRS 9 measurement categories					
FLAC	–5,100.2	–5,100.2			–5,433.6
Derivatives HFT	–60.3		–60.3		–60.3

FLAC = Financial Liabilities at Cost
HFT = Held for Trading

As at 31 December 2020, the fair value of the very small equity investments was EUR 13.8 million (previous year: EUR 12.0 million). This results in a change of EUR 1.8 million against the previous year, which was recognised in profit or loss.

The fair value of the very small equity investments is calculated using DCF procedures as there are no quoted prices in an active market for the relevant equity investments. The fair value calculated using valuation models is allocated to Level 3 of the IFRS 13 measurement hierarchy. Allocation to Level 3 takes place based on valuation models with inputs not observed on a market. This relates primarily to the capitalisation rate of 4.2 % (previous year: 4.8 %). As at 31 December 2020, the fair value of the very small equity investments was EUR 13.8 million. The stress test of this parameter on the basis of plus 50 bp results in a reduction of the fair value to EUR 12.5 million (previous year: EUR 11.0 million) and at minus 50 bp in an increase of the fair value to EUR 15.5 million (previous year: EUR 13.2 million).

The trade receivables, other financial and non-financial assets, trade payables and other liabilities, predominantly have short residual terms. The carrying amounts are approximately equal to the fair value.

Originated financial instruments (liabilities from real estate and corporate financing, FLAC category), whose fair value does not correspond to their carrying amount are classified as financial liabilities. The fair value of loan liabilities is calculated as the present value of the future cash flows, taking into account the applicable risk-free interest rates and the LEG-specific risk premium as at the end of the reporting period.

Net income for each measurement category is broken down as follows:

T130

Net income 2020

€ million	2020
AC	–8.5
FVtPL (assets)	5.3
FVtPL (liabilities)	–43.8
FLAC	–86.6
Total	**–133.6**

T131

Net income 2019

€ million	2019
AC	–4.2
FVtPL (assets)	6.0
FVtPL (liabilities)	–96.1
FLAC	–131.2
Total	**–225.5**

AC = Amortized Cost
FVtPL = Fair Value through profit and loss
FLAC = Financial Liabilities at Cost

Net income contains remeasurement effects in addition to interest income and expenses during the financial year.

b) Risk Management

Principles of risk management

The LEG Group is exposed to default risk, liquidity risk and market risk as a result of its use of financial instruments. In order to take these risks into account, the LEG Group has an effective risk management system supported by the clear functional organisation of the risk controlling process.

The effectiveness of the risk management system is reviewed and assessed regularly on a companywide basis by the Internal Audit and Compliance unit.Where adjustments are necessary or areas for improvement are identified, the Internal Audit and Compliance unit advises on, examines and monitors these activities.

The framework for the Group's financial policy is determined by the Management Board and monitored by the Supervisory Board. The implementation of financial policy is the responsibility of the Corporate Finance and Treasury unit, while ongoing risk management is handled by Controlling and Risk Management. The use of derivative financial instruments is governed by a corresponding Treasury policy adopted by Management Board and acknowledged by the Supervisory Board.Derivative financial instruments can only be used to hedge existing underlyings, future cash flows and planned transactions whose occurrence is reasonably certain. Derivative financial instruments are concluded only to hedge against interest rate risks.

c) Default risk

Credit or default risk describes the risk that business partners – primarily the tenants of the properties held by the LEG Group – will be unable to meet their contractual payment obligations and that this will result in a loss for the LEG Group. In order to prevent and control default risk to the greatest possible extent, new lettings are subject to credit checks.

Default risk exists for all classes of financial instruments, and in particular for trade receivables. The LEG Group is not exposed to significant default risk with regard to any individual party. The concentration of default risk is limited due to the Group's broad, heterogeneous tenant base.

There are gross receivables from rental and leasing activities of EUR 27.2 million (previous year: EUR 23.4 million). Allowances of EUR 17.4 million (previous year: EUR 15.6 million) were recognised, hence net rent receivables of EUR 9.8 million were reported as at 31 December 2020 (previous year: EUR 7.8 million). Collateral for receivables (primarily rent deposits) of EUR 16.6 million (previous year: EUR 15.4 million) can be taken into account only under restrictive conditions in the offsetting of outstanding receivables.

Offsetting is only possible if the receivable being offset:
- is undisputed or
- has been ruled legally binding or
- is manifestly substantiated.

Offsetting by the lessor against receivables that are manifestly disputed or not covered by the lease (such as receivables from operating expenses) is not permitted. In addition, the restrictions of section 9(5) sentence 1 of the Wohnungsbindungsgesetz (WoBindG – German Controlled Tenancy Act) must also be noted in particular.

Allowances on rent receivables were essentially recognised using simplified IFRS 9 without taking collateral into account.

With regard to cash and cash equivalents and derivatives, the LEG Group enters into corresponding agreements only with banks with extremely good credit ratings. The LEG Group constantly monitors and assesses contractual partners' credit ratings. To do so, it draws on external ratings issued by various agencies (such as Standard & Poor's, Moody's, Fitch and others), own research results and financial market information that it has collected. Depending on the availability of information with sufficient informative value, the LEG Group refers to one or more of the data sources described above. If the contractual partner's credit rating has deteriorated considerably, the LEG Group aims to reduce the positions as quickly as possible. No new positions are then entered into with the removed contractual partners.

As shown in the table below, the carrying amounts of recognised financial assets less any write-downs represent the highest default risk. The carrying amount of financial assets represents the maximum default risk. The default risk for interest rate derivatives is limited to the amount of the positive fair values of derivatives.

The table below shows the financial assets determined to be impaired as at the end of the reporting period:

T132

Impaired financial assets 2020

€ million classes of financial instruments 31.12.2020	Carrying amount before impairment	Impairment	Residual carrying amount
Loans	0.2	–	0.2
Other financial assets	18.4	–1.1	17.3
Trade receivables	35.4	–18.1	17.3
Cash and cash equivalents	335.4	–	335.4
Total	**389.4**	**–19.2**	**370.2**

T133

Impaired financial assets 2019

€ million classes of financial instruments 31.12.2019	Carrying amount before impairment	Impairment	Residual carrying amount
Loans	0.2	–	0.2
Other financial assets	29.1	–0.2	28.9
Trade receivables	30.6	–16.2	14.4
Cash and cash equivalents	451.2	–	451.2
Total	**511.1**	**–16.4**	**494.7**

To calculate the expected credit losses for trade receivables, LEG Immo uses the simplified approach of the "expected credit loss" model in accordance with IFRS 9 in order to take account of potential impairment of a receivable at initial recognition. Thus life-time expected credit losses are calculated for all trade receivables. In calculating the impairment rates for rent receivables, location-specific risk profiles are also taken into account within the individual past due ranges. This includes both the historical default rate for outstanding rent receivables and an assessment of the future development of a location as forward-looking element.

Locations are divided into three categories (good, medium, poor), giving rise to the following impairment matrix in accordance with IFRS 9 in the year under review (unchanged to the previous year):

T134

Impairment rates for rent receivables – IFRS 9

Age of rent receivable/ overdue period (days)	Status of lease	Impairment rate in %		
		Good location	Medium location	Poor location
0 to 60	active	–	25.0	45.0
61 to 90	active	8.0	35.0	55.0
91 to 120	active	10.0	37.0	57.0
121 to 180	active	13.0	40.0	60.0
more than 180	active	18.0	45.0	65.0
0 to 60	past	43.0	70.0	90.0
more than 60	past	60.0	87.0	100.0

The gross receivables are split by overdue ranges as well as location-specific risk parameters and comprise the rent receivables after netting with current tenant balances. With respect to the impairment rates, net rent receivables as at the reporting date are as follows:

T135

Impairment rates for rent receivables – IFRS 9

Age of rent receivable/ overdue period (days)	Status of lease	Gross receivables			Impairment in %	Net receivables 31.12.2020
		Good location	Medium location	Poor location		
0 to 60	active	0.4	2.3	3.0	1.9	3.8
61 to 90	active	0.1	0.2	0.5	0.4	0.4
91 to 120	active	0.1	0.2	0.6	0.4	0.5
121 to 180	active	0.1	0.2	0.6	0.4	0.5
more than 180	active	0.4	1.0	2.9	2.4	1.9
0 to 60	past	0.1	0.2	0.5	0.7	0.1
more than 60	past	0.8	2.3	6.7	9.2	0.6
		2.0	**6.4**	**14.8**	**15.4**	**7.8**

T136

Impairment rates for rent receivables – IFRS 9

Age of rent receivable/ overdue period (days)	Status of lease	Gross receivables			Impairment in %	Net receivables 31.12.2019
		Good location	Medium location	Poor location		
0 to 60	active	0.3	1.1	3.2	1.7	2.9
61 to 90	active	0.1	0.2	0.6	0.4	0.5
91 to 120	active	0.1	0.2	0.5	0.4	0.4
121 to 180	active	0.0	0.2	0.5	0.4	0.3
more than 180	active	0.3	0.9	2.5	2.1	1.6
0 to 60	past	0.0	0.2	0.5	0.6	0.1
more than 60	past	0.5	2.2	7.3	9.6	0.4
		1.3	**5.0**	**15.1**	**15.2**	**6.2**

For receivables from not yet invoiced operating costs and rent receivables not yet due, impairment of 12.4 % was taken in the reporting year (previous year: 12.4 %). The expected credit loss has been estimated on the basis of the historical loss rates of all items posted as due.

Due to the Corona pandemic, an additional impairment loss was recognised in the reporting year as a precautionary measure for receivables from operating and heating costs not yet invoiced as well as for rent receivables not yet due in the amount of EUR 1.0 million. Rent receivables and receivables from ancillary costs are derecognised if fair assessment states that realisability has become non-existent.

Impairment losses broke down are as follows in the reporting year 2020 and in the previous year 2019:

T137

Impairment losses 2020

€ million	As of 01.01.2020	Change remeasurement	Utilisation	As of 31.12.2020
Trade receivables	16.2	14.3	–12.4	18.1
Other financial assets	0.2	0.9	0.0	1.1
Total	**16.4**	**15.2**	**–12.4**	**19.2**

T138

Impairment losses 2019

€ million	As of 01.01.2019	Change remeasurement	Utilisation	As of 31.12.2019
Trade receivables	18.1	11.7	–13.6	16.2
Other financial assets	0.4	0.1	–0.3	0.2
Total	**18.5**	**11.8**	**–13.9**	**16.4**

d) Liquidity risks

The LEG Group defines liquidity risk as the risk that the Group will be unable to meet its own payment obligations at a contractually agreed date.

To ensure that this is not the case, the LEG Group's liquidity requirements are monitored and planned on an ongoing basis by the Corporate Finance and Treasury unit. Sufficient cash and cash equivalents to meet the Group's obligations for a defined period are available at all times. In addition, the LEG Group has credit facilities and bank overdrafts of EUR 400.0 million (previous year: EUR 200.0 million).

The following table shows the contractually agreed (undiscounted) interest and principal payments for the LEG Group's primary financial liabilities and its derivative financial instruments with negative fair value. The maturities are based on the contractually agreed fixed interest periods for the respective financial liabilities.

T139

Type of liabilities on 31.12.2020

€ million	Carrying amount	Remaining terms		
		<1 year	1–5 years	>5 years
Financing liabilities from loan payable	5,776.1	101.1	2,628.6	3,716.6
Financing liabilities from lease financing	92.9	12.9	27.9	99.9
Interest rate derivatives	46.1	9.1	28.8	9.5
Embedded derivatives	127.0	–	–	–
Liabilities to employees	10.0	9.7	–0.1	0.4
Liabilities from operating costs	1.1	1.1	–	–
Rent and lease liabilities	26.3	26.3	–	–
Liabilities from shareholder loans	0.0	0.0	–	–
Trade payables	124.1	120.0	4.1	0.0
Others	76.8	37.7	12.7	26.4
Total	**6,280.4**	**317.9**	**2,702.0**	**3,852.8**

The embedded derivatives give rise only to indirect cash outflows over the term of the convertible bond. The cash outflows are included in the remaining terms of financial liabilities from loan liabilities and are reported there.

Together with the acquisition financing and refinancing, this leads to an increase and shift in the remaining terms of financial liabilities from loan liabilities.

T140

Type of liabilities on 31.12.2019

€ million	Carrying amount	Remaining terms		
		<1 year	1–5 years	>5 years
Financing liabilities from loan payable	4,973.4	193.4	1,568.1	3,888.2
Financing liabilities from lease financing	80.6	11.7	27.6	86.9
Interest rate derivatives	39.0	8.2	23.9	6.6
Embedded derivatives	60.3	–	–	–
Liabilities to employees	7.4	7.0	0.0	0.4
Liabilities from operating costs	1.6	1.6	–	–
Rent and lease liabilities	26.3	26.3	–	–
Liabilities from shareholder loans	0.6	0.6	–	–
Trade payables	140.9	133.3	7.6	0.0
Others	47.1	7.6	11.6	27.9
Total	**5,377.2**	**389.7**	**1,638.8**	**4,010.0**

All instruments for which payments were contractually agreed as at the end of the reporting period are included. Forecast figures for future new liabilities are not included. Floating-rate interest payments for financial instruments are calculated using the most recent interest rates prior to the end of the reporting period. Financial liabilities that are repayable at any time are always allocated to the earliest repayment date.

Some of the LEG Group's loan agreements contain financial covenants. In the event of a failure to comply with the agreed covenants, the LEG Group generally has the opportunity to resolve the situation; however, certain cases of non-compliance can result in the bank having the right to terminate the loan agreement with immediate effect. In addition, some agreements provide the bank with the possibility of increasing interest and principal payments or demanding further security for compliance with the covenants in the event of non-compliance. In any case, a long-term failure to comply with the agreed covenants means that the financing bank is entitled to terminate the respective agreement. In connection with the unsecured financing, for example, bonds, covenants were agreed which can lead to termination rights in the case of non-compliance. Compliance with covenants is monitored on an ongoing basis. There were no violations of the agreed covenants in the 2020 financial year.

e) Market risks

The LEG Group is subject to significant interest rate risks on account of its business activities. Interest rate risk results, in particular, from floating-rate liabilities to banks. In order to limit interest rate risk, the LEG Group generally enters into fixed-income loans or floating-rate loans, sometimes in connection with interest payer swaps. Around 93 % of financial liabilities are hedged in this way.

Derivative financial instruments are used solely to hedge interest rates at the LEG Group. The Treasury policy prohibits the use of derivatives for speculative purposes.

The Group had the following derivative financial instruments as at 31 December 2020:

T141

Derivatives 31.12.2020

€ million	Fair Value	thereof < 1 year
Derivate – HFT – Assets	–	–
thereof from interest rate swaps	–	–
Derivate – HFT – Liabilities	– 127.0	– 91.9
thereof from interest rate swaps	–	–
thereof embedded derivatives	– 127.0	– 91.9
Hedged derivatives	– 46.1	–

The Group had the following derivative financial instruments as at 31 December 2019:

T142

Derivatives 31.12.2019

€ million	Fair Value	thereof < 1 year
Derivate – HFT – Assets	–	–
thereof from interest rate swaps	–	–
Derivate – HFT – Liabilities	– 60.3	–
thereof from interest rate swaps	–	–
thereof embedded derivatives	– 60.3	–
Hedged derivatives	– 39.0	–

The derivatives entered into by the LEG Group are used as hedging instruments in accordance with IFRS 9 if they meet the conditions for hedge accounting. The cash flows from hedged items in cash flow hedge accounting will be received between 2020 and 2030 and will be recognised in profit or loss at the same time.

The table below shows the amount that was recognised or released directly in other comprehensive income during the reporting period. It is released against interest income. This corresponds to the effective portion of the change in fair value:

T143

Equity implication

€ million	2020	2019
Operating balance as of 01.01.	**– 34.8**	**– 17.4**
Recognised in equity in reporting period	– 15.9	– 25.0
Reserved from equity to statement of comprehensive inome	8.3	7.6
Closing balance as of 31.12.	**– 42.4**	**– 34.8**

The effects of accounting for interest rate swaps on the net assets, financial position and results of operations of the Group are as follows:

T144

Effects from interest rate swap accounting

€ million	2020	2019
Hedging ratio	1:1	1:1
Weighted average interest rate in %	0.94	1.0
Change in fair value of outstanding hedging instruments	– 7.6	– 18.2
Change in the value of the underlying transaction	8.0	17.2
Notional amount of hedging instruments as of 31.12.2019	607.1	583.0
thereof due < 1 year	6.0	6.0
thereof due 1 to 5 years	164.7	167.6
thereof due > 5 years	436.4	409.4

f) Sensitivities

Interest rate risks are depicted in sensitivity analyses in accordance with IFRS 7. The sensitivity analyses calculate the impact that a change in market interest rates would have on interest income and expenses, on trading gains and losses and on the LEG Group's equity as at the reporting date.

The effects on the LEG Group's equity and statement of comprehensive income are analysed using a +/– 50 basis points parallel shift in the euro yield curve in the sensitivity analysis. The cash flow effects from the shift in the yield curve relate solely to interest expense and income for the next reporting period.

Based on the financial instruments held or issued by the LEG Group as at the end of the reporting period, a hypothetical change in the applicable interest rates for the respective instruments as quantified using sensitivity analysis would have had the following effects (before taxes) as at the end of the reporting period:

T145

Financial instruments as at 31.12.2020

	Equity effect		Comprehensive income	
€ million	+50 bp	–50 bp	+50 bp	–50 bp
Net position of all interest-sensitive financial instruments				
Financing liabilities	–	–	–2.2	2.2
Interest rate derivatives	–22.9	–15.8	–	–
Embedded derivatives	–	–	–56.0	5.2

T146

Financial instruments as at 31.12.2019

	Equity effect		Comprehensive income	
€ million	+50 bp	–50 bp	+50 bp	–50 bp
Net position of all interest-sensitive financial instruments				
Financing liabilities	–	–	–2.1	2.1
Interest rate derivatives	22.9	–18.3	–	–
Embedded derivatives	–	–	–6.6	17.5

Embedded derivatives are subject to both interest rate risk and share price risk. Had the market price for the full instrument been 5 % higher (lower) at the end of the reporting period as a result of a change in the price of LEG Immo shares, with the other parameters for the company remaining unchanged, the fair value of the embedded derivatives would have been EUR 40.1 million higher (EUR 40.1 million lower).

g) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting:

T147

Financial assets (netted) € million	Gross amount of the admitted financial assets	Gross amount of the admitted financial liabilities, which have been netted in the balance sheet	Net amount of the admitted financial assets, which are considered in the balance sheet	Related amounts, which are not netted in the balancesheet		
				Financial instruments	Received cash deposits	Net amount
31.12.2020						
Inventories in progress	299.0	–293.7	5.3	–	–	5.3
Cash and cash equivalents	335.4	–	335.4	–	–	335.4
Total	**634.4**	**–293.7**	**340.7**	**–**	**–**	**340.7**
31.12.2019						
Inventories in progress	269.6	–260.2	9.4	–	–	9.4
Cash and cash equivalents	451.2	–	451.2	1.2	–	452.4
Total	**720.8**	**–260.2**	**460.6**	**1.2**	**–**	**461.8**

The following financial liabilities are subject to offsetting:

T148

Financing liabilities (netted) € million	Gross amount of the admitted financial liabilities	Gross amount of the admitted financial assets, which have been netted in the balance sheet	Net amount of the admitted financial liabilities, which are considered in the balance sheet	Related amounts, which are not netted in the balancesheet		
				Financial instruments	Received cash deposits	Net amount
31.12.2020						
Advanced payments received	–310.4	293.7	–16.7	–	–	–16.7
Financing liabilities from real estate financing	–5,776.1	–	–5,776.1	–	–	–5,776.1
Total	**–6,086.5**	**293.7**	**–5,792.8**	**–**	**–**	**–5,792.8**
31.12.2019						
Advanced payments received	–293.2	260.2	–33.0	–	–	–33.0
Financing liabilities from real estate financing	–4,973.4	–	–4,973.4	1.2	–	–4,972.2
Total	**–5,266.6**	**260.2**	**–5,006.4**	**1.2**	**–**	**–5,005.2**

The contractually agreed terms and conditions of banks for liens give rise to a claim to offset loan utilisation against the credit balances of the individual companies.

4 | Number of employees

The average number of employees in the LEG Group developed as follows as against the previous year:

T149

Average number of employees

	2020		2019	
	Average number of employees	Employee capacity (FTE)	Average number of employees	Employee capacity (FTE)
Operations	792	734	735	669
Management	169	149	173	151
Special entities	482	471	457	437
Total	**1,443**	**1,354**	**1,365**	**1,257**

5 | Total auditor's fees

The total fees paid to the auditor of the consolidated financial statements are composed as follows:

T150

Total auditor's fees

€ million	2020	2019
Audits of financial statements	1.5	1.3
Other audit services	0.8	0.4
Other services	0.1	0.1
Total fee	**2.4**	**1.8**

The audit services primarily include fees for the audit of the consolidated financial statements and the legally prescribed audits of LEG Immo and the subsidiaries included in the consolidated financial statements. The fees for other audit services relate mainly to audit procedures in connection with a capital measure and the audit review of the Sustainability Report. Other services include advisory services in connection with the analysis of finance information for EUR 2 thousand.

6 | IFRS 2 programmes

The employment agreements for members of the Management Board provide for a long-term incentive programme to be offered for each financial year. The programme is designed for a four-year period and divided into three performance periods (until the end of the first, second and third financial year following the relevant financial year). The amount of LTI remuneration is dependent on the achievement of certain performance targets. The performance targets in question are total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany Index. As per the new Management Board remuneration system that took effect on 1 January 2021, the performance period for the 2021 LTI is four years. The amount of LTI remuneration is dependent on the achievement of the financial performance targets total shareholder return and the development of LEG's share price compared to the relevant EPRA Germany Index, as well as non-financial environmental, social and governance targets (ESG targets).

The programme is treated as cash-settled share-based payment in accordance with IFRS 2. On the basis of an assessment of the Management Board on the attainment of performance hurdles, staff costs of EUR 0.7 million (previous year: EUR 3.4 million) were recognised as at 31 December 2020. The provision for long-term incentive plans amounted to EUR 0.8 million as at 31 December 2020 (previous year: EUR 0.1 million).

A target level of 104 % was achieved for the LTI 2021 tranche, 72.3 % for the LTI 2020 and 85 % for the LTI 2019. Details on Management Board agreements can also be found in the remuneration report.

The total intrinsic value of liabilities at the end of the reporting period for which the counterparty's right to receive cash and cash equivalents or other assets was vested as at the end of the reporting period was EUR 235 thousand as at 31 December 2020 (previous year: EUR 2,862 thousand).

7| Related-party disclosures

Related parties are defined as companies and persons that have the ability to control the LEG Group or exercise significant influence over its financial and business policy. The existing control relationships were taken into account when determining the significant influence that related parties can exercise over the LEG Group's financial and business policy.

Related persons
The related persons of LEG Immo include the Management Board and the Supervisory Board of LEG Immo. The Management Board of LEG Immo and the Management Team at LEG consist of the same persons.

Related companies
LEG Immo's related companies include all the subsidiaries and associates of the LEG Group and certain entities not included in consolidated financial statements.

Transactions with related persons and companies are concluded under normal market conditions.

The following table shows the receivables from and liabilities to related companies as at the end of the reporting period and expenses and income involving related companies for the financial year:

T151

Receivables from and liabilities to related companies

€ million	31.12.2020	31.12.2019
Statement of financial positions		
Receivables from associates and non-consolidated companies	0.1	0.1
Liabilities to shareholders	0.0	0.6

T152

Income from and expenses for related companies

€ million	2020	2019
Statement of comprehensive income		
Income from associates	0.3	0.2
Income from equity investments	3.1	3.1

The income from related parties comprises the pro rata annual results of the associated companies as well as payouts from the affiliated companies.

a) Related company disclosures
Related companies controlled by LEG Immo or which it significantly influences are included in the consolidated financial statements. Intragroup transactions under existing service and management agreements between the companies are eliminated as part of consolidation.

There was no significant exchange of goods and services with the other unconsolidated subsidiaries or associates.

b) Related person disclosures
Total remuneration of the Management Board is shown in the table below:

T153

Compensation package of the Management Board

€ thousand	2020	2019[1]
Fixed remuneration	1,311	814
Ancillary benefits	79	55
Total fixed benefits	**1,390**	**869**
Short-Term-Incentive-programme (STI)	979	575
Transaction bonus 2020	198	–
Long-Term-Incentive-Programme (LTI)	1,252	620
Total variable benefits	**2,429**	**1,195**
Pension costs	**133**	**107**
Total	**3,952**	**2,171**

[1] The figures refer to the active board members in 2020.

The basis for calculating the STI is the achievement of the respective consolidated IFRS business plan. The STI consists of an annual payment measured on the basis of the following four targets: net cold rent, net rental and lease income, adjusted EBITDA and funds from operations I per share. The first three targets each account for 20 % and the final target for 40 % of the STI.

No loans or advances were granted or extended to the members of the Management Board in the 2020 financial year.

For previous members of the Management Board there were pension provisions of EUR 0.3 million as at 31 December 2020 (previous year: EUR 0.3 million).

Total remuneration of members of the Supervisory Board of LEG Immo amounted to EUR 0.8 million in 2020 (previous year: EUR 0.8 million).

No loans or advances were granted or extended to the members of the Supervisory Board in the 2020 financial year.

Recognised expenses for the remuneration of members of the Management Board and Supervisory Board in accordance with IAS 24.17 can be summarised as follows:

T154

Benefits to the Management and Supervisory Board

€ thousand	2020	2019[1]
Current payable benefits	3,481	2,385
Share-based payment	665	122
Total	**4,146**	**2,507**

[1] The figures refer to the active board members in 2020.

Further information can be found in the > remuneration report, which forms part of the management report.

8 | Guarantees and contingent liabilities

The LEG Group has the following contingent liabilities:

T155

Contingent liabilities

€ million	31.12.2020	31.12.2019
Land charges	3,241.5	2,940.0
Letters of comfort	–	1.1
Warranty agreements	401.9	461.9

Warranty agreements of around EUR 401.9 million comprise mainly EUR 360 million in LEG Immo guarantees to various banks resulting from working capital facilities granted to a subsidiary (LEG) and a buyer guarantee of around EUR 14.7 million. A letter of comfort from LEG of around EUR 20.0 million is provided as security for liabilities of the subsidiary to a financing bank. On the reporting date, there is joint liability of EUR 7.1 million covered by LEG Immo with receivables of gas suppliers.

For all the stated contingent liabilities the risk of utilisation is assessed as unlikely.

9 | Other financial commitments

The Group's other financial commitments are composed as follows:

T156

Other financial commitments

€ million	31.12.2020	31.12.2019
Commitments from service contracts	0.1	0.3
Purchase of energy	56.3	32.3
Purchase obligations	89.6	62.6

In addition, there are purchase price payment obligations of EUR 58.9 million from property purchase agreements concluded by the balance sheet date with a purchase price due date and economic transfer after the balance sheet date as well as payment obligations from new construction projects of EUR 192.5 million.

Future payment obligations from service contracts break down as follows:

T157

Payment obligations from service contracts

	Remaining term			Total
€ million	< 1 year	> 1 and 5 years	> 5 years	
31.12.2020	**0.1**	**0.0**	**–**	**0.1**
31.12.2019	0.3	–	–	0.3

10 | The Management Board

LEG Immobilien AG is represented by the Management Board, which consists of the following members:

MR LARS VON LACKUM,
CEO of LEG Immobilien AG,
Dusseldorf;
also CFO of LEG Immobilien AG
until 30 June 2020

MS SUSANNE SCHRÖTER-CROSSAN,
CFO of LEG Immobilien AG,
Krefeld
from 1 July 2020

DR VOLKER WIEGEL,
COO of LEG Immobilien AG,
Dusseldorf

Address of entity's registered office:
Hans-Böckler-Strasse 38
40476 Dusseldorf
Germany
Commercial Register: HRB 69386
Dusseldorf

11 | Supervisory Board

The Supervisory Board of LEG Immobilien AG consists of seven members.

The following members were elected by the shareholders' meeting:

MR MICHAEL ZIMMER,
Chairman –
Independent investor and consultant, Pulheim

MR STEFAN JÜTTE,
Deputy Chairman – business graduate, Bonn

MS NATALIE C. HAYDAY,
Managing Director 7Square GmbH, Frankfurt;
until 6 January 2021

DR JOHANNES LUDEWIG,
Business consultant, Berlin

DR CLAUS NOLTING,
Lawyer and consultant, Frankfurt

DR JOCHEN SCHARPE,
Managing Partner, AMCI GmbH, Munich

MARTIN WIESMANN,
Consultant, Frankfurt - since 7 October 2020

12 | Supplementary Report

The Executive Board and Supervisory Board of LEG Immobilien AG have decided to introduce a share-based remuneration programme for second level managers in the LEG Group from January 2021, with the aim of giving managers a greater share in the company's success.

The remuneration programme will be granted in annual tranches with an individual term of four financial years for each tranche. Each tranche consists of the executive's own investment in LEG shares and a partly performance-related component in euros, which is granted by the relevant LEG Group company to which the executive belongs and which is based on elements of the remuneration model for the Executive Board (SOG and LTI).

Only if the executive makes a personal investment in LEG shares in line with the programme the performance-related component of the programme will be granted. This personal investment, with the associated holding period of four years, leads to a higher share orientation in the remuneration of second-level managers, analogous to the Share Ownership Guidelines for the Board of Directors.

Ms Natalie Hayday resigned from the LEG Immo Supervisory Board effective 6 January 2021.

There were no other material events with particular importance for the Group after the end of the financial year.

Declaration of Compliance in accordance with section 161 AktG

The Management Board and the Supervisory Board comply with the recommendations of the German Corporate Governance Code as presented in the management report. The declaration of compliance has been made permanently available to shareholders on the company's website at **www.leg-wohnen.de/en/corporation/corporate-governance**.

Dusseldorf, 8 March 2021
LEG Immobilien AG

The Management Board

LARS VON LACKUM **SUSANNE SCHRÖTER-CROSSAN** **DR VOLKER WIEGEL**

List of shareholdings

The following table shows an overview of the basis of consolidation of the LEG Group:

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Consolidated companies

		Share of capital %	Equity[1] € thousand	Result[1] € thousand
LEG Immobilien AG, Dusseldorf		Parent company		
Rote Rose GmbH & Co. KG, Dusseldorf	1)	100.00	109,449	8
LEG Holding GmbH, Dusseldorf	1)	100.00	880,763	0
LEG NRW GmbH, Dusseldorf	2)	99.98	1,338,076	51,089
LEG Wohnen GmbH, Dusseldorf	2)	100.00	559,031	0
LEG Wohnungsbau Rheinland GmbH, Dusseldorf	2)	100.00	112,639	0[3]
Solis GmbH, Dusseldorf	1)	94.90	99,333	0
Rheinweg Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	86,392	0
Luna Immobilienbeteiligungs GmbH, Dusseldorf	1)	94.90	10,196	0
Rheinweg Zweite Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	78,525	0
LEG Rheinland Köln GmbH, Dusseldorf	2)	100.00	33,969	0[3]
Noah Asset 4 GmbH, Dusseldorf	2)	94.90	2,616	0
LEG Wohnen Bocholt GmbH, Dusseldorf	2)	100.00	25	0
LEG Bauen und Wohnen GmbH, Dusseldorf	2)	100.00	2,165	0
LCS Consulting und Service GmbH, Dusseldorf	1)	100.00	2,556	0
LEG Consult GmbH, Dusseldorf	1)	100.00	302	0
GWN Gemeinnützige Wohnungsgesellschaft Nordwestdeutschland GmbH, Münster	2)	94.86	74,582	0
GeWo Gesellschaft für Wohnungs- und Städtebau mbH, Castrop-Rauxel	2)	94.00	22,542	0[3]
GeWo Beteiligungsgesellschaft mbH, Dusseldorf	2)	100.00	26	0
Hiltrup Grundbesitzverwertungsgesellschaft mbH, Münster	2)	100.00	56	–6
LEG Rheinrefugium Köln GmbH, Dusseldorf	2)	94.00	34	0
Calor Caree GmbH, Dusseldorf	2)	94.00	25	0
LEG Beteiligungsverwaltungsgesellschaft mbH, Dusseldorf	1)	100.00	13,745	0
LEG Erste WI Bremen GmbH, Dusseldorf	2)	94.90	25	269
LEG Zweite WI Bremen GmbH, Dusseldorf	2)	94.90	4,151	0
LEG WI Oldenburg GmbH, Dusseldorf	2)	94.90	4,324	0
LEG Grundstücksverwaltung GmbH, Dusseldorf	2)	100.00	25,863	0
Dusseldorfer Ton- und Ziegelwerke GmbH, Dusseldorf	2)	100.00	10,455	0
Germany Property Dusseldorf GmbH, Dusseldorf	2)	94.90	4,881	0
LEG Management GmbH, Dusseldorf	1)	100.00	1,124	0[3]
LEG Wohnen NRW GmbH, Dusseldorf	1)	100.00	395	0[3]
LEG LWS GmbH, Dusseldorf	4)	100.00	25	0
LWS Plus GmbH, Essen	4)	100.00	8,557	5,876[3]
LEG Solution GmbH, Dusseldorf	3)	100.00	66,718	0
LEG Wohnviertel Dyk GmbH, Dusseldorf	2)	100.00	367	32
LEG Standort- und Projektentwicklung Köln GmbH, Dusseldorf	2)	100.00	13,753	0
Biomasse Heizkraftwerk Siegerland GmbH & Co. KG, Liebenscheid	5)	94.86	8,498	2,628
Grundstücksentwicklungsgesellschaft Ennigerloh Süd-Ost mbH i. L., Cologne	2)	94.90	–7,860	–116
Ravensberger Heimstättengesellschaft mbH, Bielefeld	2)	100.00	89,970	0[3]
Ravensberger Heimstätten Beteiligungsgesellschaft mbH, Dusseldorf	2)	100.00	26	0
Gemeinnützige Bau- und Siedlungsgesellschaft Höxter-Paderborn GmbH, Höxter	2)	100.00	11,909	0
Ruhr-Lippe Wohnungsgesellschaft mbH, Dortmund	2)	100.00	318,566	0[3]
Ruhr-Lippe Immobilien-Dienstleistungsgesellschaft mbH, Dortmund	2)	100.00	7,452	0
Wohnungsgesellschaft Münsterland mbH, Münster	2)	100.00	164,978	0[3]
Münsterland Immobilien-Dienstleistungsgesellschaft mbH, Münster	2)	100.00	114	0
LEG Erste Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Zweite Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Dritte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Vierte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Fünfte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]
LEG Sechste Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0
LEG Siebte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]

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Consolidated companies

		Share of capital %	Equity[1] € thousand	Result[1] € thousand
LEG Achte Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]
LEG Neute Grundstücksverwaltungs GmbH, Dusseldorf	2)	100.00	25	0[3]
SW Westfalen Invest GmbH, Dusseldorf	2)	94.90	78,957	0[3]
LEG Recklinghausen 1 GmbH, Dusseldorf	2)	94.90	22,556	0
LEG Recklinghausen 2 GmbH, Dusseldorf	2)	94.90	10,926	0
LEG Niedersachsen GmbH, Dusseldorf	2)	100.00	25	0
LEG Rhein Neckar GmbH, Dusseldorf	2)	100.00	25	0
LEG Wohngelegenheit Mitte GmbH, Dusseldorf	2)	100.00	25	0
LEG Wohngelegenheit Süd GmbH, Dusseldorf	2)	100.00	25	0
LEG Krefeld-Bockum Verwaltungs GmbH, Dusseldorf	1)	100.00	15	–69
Erste WohnServicePlus GmbH, Dusseldorf	4)	100.00	25	0[3]
WohnServicePlus GmbH, Dusseldorf	4)	100.00	25	0[3]
EnergieServicePlus GmbH, Dusseldorf	4)	100.00	7,152	0[3]
TSP-TechnikServicePlus GmbH, Dusseldorf	4)	51.00	827	0[3]
Grundstücksgesellschaft DuHa mbH, Dusseldorf	2)	94.90	3,058	0[3]
Gladbau Baubetreuungs- und Verwaltungsgesellschaft mbH, Dusseldorf	2)	94.90	34,426	682[2,3]
AWM Grundstücksgesellschaft mbH, Dusseldorf	2)	100.00	2,318	0
Vitus Service GmbH, Dusseldorf	1)	100.00	29	0
BRE/GEWG GmbH, Dusseldorf	1)	100.00	24,169	0
Gemeinnützige Eisenbahn Wohnungsbaugesellschaft mbH, Dusseldorf	2)	94.90	6,496	0

[1] Unless indicated otherwise, these figures show the equity and result as taken from the, not yet adopted, separate HGB financial statements as at 31 December 2020. A zero result is shown in the event of there being a profit transfer agreement in place.
[2] Earnings before loss absorption and after profit transfer
[3] Exemption in accordance with section 264(3) HGB

Activities of subsidiaries:

1) Performance of services and management of equity investments within the LEG Group
2) Property management and location development
3) Performance of services for third parties
4) Performance of housing industry services
5) Electricity and heat generation

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Non-consolidated companies

		Share of capital %	Equity[1] € thousand	Result[1] € thousand
Entwicklungsgesellschaft Rhein-Pfalz GmbH, Mainz	2)	100.00	25	0
Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz	1)	100.00	1,179	–62
LEG Immobilien N.V., Amsterdam	2)	100.00	45	0
LEG Wohngelegenheit Nord GmbH, Dusseldorf	2)	100.00	25	0
Biomasse Heizkraftwerk Siegerland Verwaltungs GmbH, Dusseldorf	3)	100.00	28	2

[1] These figures are the separate HGB equity and results as at 31 December 2019 with the exception of the Wohngelegenheit companies founded in 2019.

Activities of non-consolidated companies:

1) Property management
2) Shell company
3) Performance of services for third parties

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Associates accounted for using the equity method

	Share of capital %	Equity[1] € thousand	Result[1] € thousand
Kommunale Haus und Wohnen GmbH, Rheda-Wiedenbrück	40.62	22,002	604
Beckumer Wohnungsgesellschaft mbH, Beckum	33.37	3,754	125

Consolidated statement of changes in assets/annex I

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Consolidated statement of changes in assets 2020

	Costs									Cumulative depreciation, amortisation and write-downs/fair values				Carrying amounts	
€ million	As of 01.01.2020	First time application IFRS 16	As of 01.01.2020	Additions from con-solidated companies	Addi-tions	Dis-posals	Additions from investment properties	Disposal to investment properties	As of 31.12.2020	As of 01.01.2020	Addi-tions	Dis-posals	As of 31.12.2020	As of 31.12.2020	As of 31.12.2019
Property, plant and equipment	**143.3**	**–**	**143.3**	**0.1**	**17.6**	**–1.4**	**5.1**	**–3.0**	**161.7**	**–59.7**	**–17.1**	**1.4**	**–75.4**	**86.3**	**83.6**
Land, land rights and buildings	38.3	–	38.3	–	2.3	–	1.3	–3.0	38.9	–8.5	–2.8	–	–11.3	27.6	29.8
Technical equipment and machinery	87.5	–	87.5	–	10.4	–0.2	–	–	97.7	–40.3	–10.2	0.2	–50.3	47.4	47.2
Other equipment, operating and office equipment	17.5	–	17.5	0.1	4.7	–1.2	–	–	21.1	–10.9	–4.1	1.2	–13.8	7.3	6.6
Finance leases	–	–	–	–	0.2	–	3.8	–	4.0	–	–	–	0.0	4.0	–
Intangible assets	**155.6**	**–**	**155.6**	**27.3**	**2.1**	**–0.4**	**–**	**–**	**184.6**	**–14.9**	**–67.3**	**–**	**–82.2**	**102.4**	**140.7**
Other intangible assets	16.3	–	16.3	–	2.1	–	–	–	18.4	–14.9	–0.7	–	–15.6	2.8	1.4
Goodwill	139.3	–	139.3	27.3	–	–0.4	–	–	166.2	–	–66.6	–	–66.6	99.6	139.3
Total	**298.9**	**–**	**298.9**	**27.4**	**19.7**	**–1.8**	**5.1**	**–3.0**	**346.3**	**–74.6**	**–84.4**	**1.4**	**–157.6**	**188.7**	**224.3**

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Consolidated statement of changes in assets 2019

	Costs									Cumulative depreciation, amortisation and write-downs/fair values				Carrying amounts	
€ million	As of 01.01.2019	First time application IFRS 16	As of 01.01.2019	Additions from con-solidated companies	Addi-tions	Dis-posals	Additions from investment properties	Disposal to investment properties	As of 31.12.2019	As of 01.01.2019	Addi-tions	Dis-posals	As of 31.12.2019	As of 31.12.2019	As of 31.12.2018
Property, plant and equipment	**132.7**	**16.0**	**148.7**	**0.1**	**19.9**	**–26.5**	**2.8**	**–1.7**	**143.3**	**–70.2**	**–15.9**	**26.4**	**–59.7**	**83.6**	**62.5**
Land, land rights and buildings	28.3	8.0	36.3	–	1.5	–	2.2	–1.7	38.3	–5.7	–2.8	–	–8.5	29.8	22.6
Technical equipment and machinery	53.1	20.3	73.4	0.1	13.7	–0.3	0.6	–	87.5	–31.0	–9.5	0.2	–40.3	47.2	22.1
Other equipment, operating and office equipment	9.4	4.0	13.4	–	4.7	–0.6	–	–	17.5	–8.2	–3.3	0.6	–10.9	6.6	1.2
Finance leases	41.9	–16.3	25.6	–	–	–25.6	–	–	–0.0	–25.3	–0.3	25.6	0.0	–0.0	16.6
Intangible assets	**100.0**	**1.0**	**101.0**	**54.4**	**0.3**	**–0.1**	**–**	**–**	**155.6**	**–14.7**	**–0.3**	**0.1**	**–14.9**	**140.7**	**85.3**
Other intangible assets	15.1	1.0	16.1	–	0.3	–0.1	–	–	16.3	–14.7	–0.3	0.1	–14.9	1.4	0.4
Goodwill	84.9	–	84.9	54.4	–	–	–	–	139.3	–	–	–	–	139.3	84.9
Total	**232.7**	**17.0**	**249.7**	**54.5**	**20.2**	**–26.6**	**2.8**	**–1.7**	**298.9**	**–84.9**	**–16.2**	**26.5**	**–74.6**	**224.3**	**147.8**

Consolidated statement of changes in provisions/annex II

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Consolidated statement of changes in provisions 2020

€ million	As of 01.01.2020	Changes in consolidated companies	Utilisation	Release	Reclassification	Addition	Interest	As of 31.12.2020	thereof Non-current	thereof Current
Staff provisions										
Staff provisions	1.9	–	–0.9	0.0	–	1.8	–	2.8	1.5	1.3
Other provisions	**23.5**	**–0.1**	**–9.0**	**–0.4**	**–**	**18.2**	**0.1**	**32.3**	**5.8**	**26.5**
Provisions of lease properties	0.2	–	–	–0.1	–	–	–	0.1	0.1	0.0
Construction book provisions	2.7	–	–0.1	0.0	–	0.0	–	2.6	0.4	2.2
Litigations risks	0.7	–	–0.2	–0.2	0.0	0.4	0.0	0.7	0.0	0.7
Other provisions	19.9	–0.1	–8.7	–0.1	0.0	17.8	0.1	28.9	5.3	23.6
Total	**25.4**	**–0.1**	**–9.9**	**–0.4**	**0.0**	**20.0**	**0.1**	**35.1**	**7.3**	**27.8**

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Consolidated statement of changes in provisions 2019

€ million	As of 01.01.2019	Changes in consolidated companies	Utilisation	Release	Reclassification	Addition	Interest	As of 31.12.2019	thereof Non-current	thereof Current
Staff provisions										
Staff provisions	1.3	–	–0.5	–	–	1.1	–	1.9	1.1	0.8
Other provisions	**21.0**	**0.1**	**–9.9**	**–0.8**	**–**	**13.0**	**0.1**	**23.5**	**4.1**	**19.4**
Provisions of lease properties	0.4	–	–	–0.2	–	–	–	0.2	0.1	0.1
Construction book provisions	3.1	–	–0.2	–0.3	–	0.1	–	2.7	0.4	2.3
Litigations risks	1.1	–	–0.4	–0.1	–0.1	0.2	–	0.7	0.0	0.7
Other provisions	16.4	0.1	–9.3	–0.2	0.1	12.7	0.1	19.9	3.6	16.3
Total	**22.3**	**0.1**	**–10.4**	**–0.8**	**0.0**	**14.1**	**0.1**	**25.4**	**5.2**	**20.2**

Independent auditor's report

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosures purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents to be audited) to which the separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

To LEG Immobilien AG, Düsseldorf

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of LEG Immobilien AG, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of LEG Immobilien AG for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Measurement of investment properties
2. Presentation and measurement of primary and derivative financial instruments

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Measurement of investment properties

1.
In the consolidated financial statements of LEG Immobilien AG as of 31 December 2020 investment properties in the amount of € 14,582.7 million (prior year € 12,031.1 million) are reported. LEG exercises the option set out in IAS 40.30 of accounting for investment properties using the fair value model in accordance with IFRS 13. Accordingly, changes in market value realized when properties are sold, as well as unrealized changes in market value, are recognized at fair value through profit or loss. In the past financial year, € 1,170.4 million (prior year € 923.4 million) in unrealized changes in market value were recognized through profit or loss in the consolidated statement of comprehensive income.

When determining the fair value, it is assumed that the current use corresponds to the highest and best use of the property. Fair value is determined using a company-internal measurement model based on projections of net cash inflows from the management of the properties which are derived using the discounted cash flow method. A market value is determined for properties with no positive net cash inflows (usually vacant buildings) using the net asset value method. Undeveloped land is usually measured based on an indirect comparison of indicative land values.

To the extent possible, LEG uses data directly observable on the market to determine fair value (sources include property market reports prepared by expert committees and public and subscriptions-based market databases). In addition, a valuation report is prepared by an independent appraiser and is used to verify the plausibility of internal calculations.

The measurement of investment properties is based on a large number of relevant parameters which are in general subject in some respects to uncertainties with regard to estimates and judgments. Significant measurement parameters include in particular expected cash flows, the assumed vacancy rate and the discount and capitalization rate. Even slight changes in the measurement parameters can result in material changes in fair value. In our view, this matter was of particular significance for our audit because the measurement of investment properties is in general subject to substantial judgment and estimation uncertainties and there is the risk that the changes in fair value which are recognized through profit or loss do not fall within an appropriate range.

2.
As part of our audit, in collaboration with our specialists from our Valuation, Modelling and Analytics department, we recorded the internal controls in place and assessed whether they were appropriate and effective, among other things. In addition, we assessed the measurement models used by LEG with respect to their compliance with IAS 40 in conjunction with IFRS 13, the homogeneity of the properties being valued, the correctness and completeness of the property portfolio data used and the appropriateness of the valuation parameters used, such as the expected cash flows (market rent per m², planned maintenance per m²), the assumed vacancy rate and the discount and capitalization rate. We also carried out analytical audit procedures and tests of details with respect to the material parameters having an influence on value. Furthermore, we examined the plausibility of calculations based on a comparison of results at the level of the individual properties as well as at the portfolio level against our expectations.

As part of our audit procedures, we prepared a comparison calculation for specific properties on a sample basis using the DCF method or on the basis of the standardized German income approach [Ertragswertverfahren] pursuant to the German Property Valuation Regulation [Immobilienwertermittlungsverordnung; ImmoWertV)].

The valuation technique applied by the executive directors of LEG is appropriately designed and suitable for calculating fair values in accordance with IFRSs. The underlying assumptions reflect the current market parameters.

3.
Please refer to sections D.1, D.18, D.22, D.23, E.1, F.3 and F.4 of the notes for information on investment properties.

2. Presentation and measurement of primary and derivative financial instruments

1.
In the consolidated financial statements of LEG Immobilien AG as of December 31, 2020, financial liabilities of € 5,869.0 million (prior year: € 5,053.9 million) are reported. The financial liabilities increased mainly due to the issue of a new convertible bond with an IFRS carrying amount as of December 31, 2020 of € 523.8 million and a nominal value of € 550.0 million, the issue of a registered bond with an IFRS carrying amount as of the balance sheet date of € 50.6 million and also due to the assumption of loan liabilities in the context of an acquisition with an IFRS carrying amount as of the balance sheet date of € 14.5 million as well as additional disbursements of loans with an IFRS carrying amount of € 389.9 million million and the amortization of transaction costs of € 15.6 million. A counterbalancing effect derived from scheduled and unscheduled repayments of € 190.2 The financial labilities also include lease liabilities. These increased by € 12.4 million in the current financial year to a carrying amount of € 92.9 million (prior year: € 80.5 million).

The financial liabilities include two convertible bonds with a nominal value of € 400 million and € 550 million respectively. The convertible bond of € 550 million was newly issued in 2020. Both the conversion right and the basis debt component of the convertible bond are classified by LEG AG as debt capital. The bond terms and conditions contain a cash settlement option from the perspective of LEG AG. This cash settlement option results in the convertible bond, as a whole, being classified as debt instrument. The two convertible bonds held in the portfolio (basis debt component) have carrying amounts of € 913.4 million (prior year: € 387.3 million) and the associated embedded derivatives (conversion rights) have carrying amounts of € 127.0 million (prior year: € 60.3 million). The change compared to the prior year results from the above described issue of the convertible bond of € 550 million. The embedded derivative of the new convertible bond with an initial value of € 23.1 million was, upon issue, separated from the basis debt component with no effect on profit or loss. The change in the embedded derivatives when compared to the prior year is also attributable to mere valuation effects of € –43.6 million, which are disclosed in net income from the fair value measurement of derivatives.

An interest rate swap with a total volume of € 30.0 million was concluded during the financial year to hedge interest rate volatility arising from floating-rate loans.

Financial liabilities are initially recognized at fair value, taking into account transaction costs as well as premiums and discounts. The fair value at the grant date is equivalent to the present value of future payment obligations based on a market rate of interest for obligations featuring the same term and level of risk. Subsequent measurement takes place at amortized cost using the effective interest method. The effective interest rate is determined at the date on which the financial liabilities are created.

The LEG Group uses derivative financial instruments to hedge interest rate risks incurred in financing its properties. Derivative financial instruments are measured at fair value. Changes in the fair value of derivatives are recognized through profit or loss if no hedging relationship in accordance with IFRS 9 exists. Derivatives accounted for as hedges serve to hedge against future uncertain cash flows. The LEG Group is exposed in particular to risks with respect to future cash flows from variable rate financial liabilities.

The input parameters for valuation models used to determine the fair value of derivative financial instruments are the relevant market prices and interest rates observed on the balance sheet date and taken from recognized external sources.

The matters presented above were of particular significance for our audit due to the judgments involved in measuring and appropriately presenting financial instruments, particularly with respect to hedge accounting.

2.
We involved experts from our Corporate Treasury Solutions (CTS) department in the audit of the accounting treatment and measurement of the financial liabilities, including the effects of the derivative financial instruments on equity and profit or loss. With their assistance, among other things we assessed the established internal control system.

New contracts recognized as financial liabilities were selected according to specific risk-oriented criteria and evaluated whether the relevant measurement parameters and any embedded derivatives were properly recorded. In addition, a recalculation of amortized costs was carried out on a sample basis and analytical audit procedures were carried out for all financial liabilities. The outstanding convertible bonds were assessed in full with respect to recognition, measurement and presentation.

As part of our audit of the fair value of primary financial instruments, we assessed the valuations based on the relevant market data (yield curves) and the base data used on a selective sample basis. We also took into account fair value measurement when determining the effectiveness of derivatives in hedge accounting. We assessed whether the documentation of hedge accounting complied with the requirements of IFRS 9.

We obtained bank confirmations to assess whether all financial liabilities and financial instruments were recognized in full.

The presentation of financial liabilities and derivative financial instruments by the executive directors of LEG is appropriate. In our view, the measurement method used and the underlying assumptions and valuation parameters are appropriate overall.

3.
Please refer to sections D.14, D.15, D.16, D.22, D.23, E.11, F.7, F.8 and I.3 of the notes for information on primary and derivative financial instruments.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f and § 315d HGB included in section "Corporate governance declaration in accordance with sections 289f and 315d HGB" of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file LEG Immobilien_AG_KA_KLB_ESEF-20201231.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) [if considered to be beneficial for the understanding of the separate report on ESEF compliance in an international context: and the International Standard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 19 August 2020. We were engaged by the supervisory board on 27 October 2020. We have been the group auditor of the LEG Immobilien AG, Düsseldorf, without interruption since the financial year 2008.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Kieper.

Dusseldorf, 8 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

THOMAS KIEPER
(German Public Auditor)

PPA. SEBASTIAN SCHNEIDER
(German Public Auditor)

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the LEG Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the LEG Group, together with a description of the principal opportunities and risks associated with the expected development of the LEG Group."

Dusseldorf, 8 March 2021

LEG Immobilien AG
The Management Board

LARS VON LACKUM **SUSANNE SCHRÖTER-CROSSAN** **DR VOLKER WIEGEL**

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FURTHER INFORMATION

Management Board

The members of the Management Board are as follows

LARS VON LACKUM
CEO

Strategy, M&A, Organisation and Digitisation
Legal and Human Resources
- Management & Supervisory Board Office
- Legal, Compliance and Internal Audit
- Human Resources

Communications & Corporate Responsibility
Acquisitions
New construction
IT

SUSANNE SCHRÖTER-CROSSAN
CFO (since 1 July 2020)

Investor Relations
Corporate Finance & Treasury
Controlling & Risk Management
Portfolio Management
Accounting and Tax

DR VOLKER WIEGEL
COO

Asset and Property-Management
- Commercial Management
- Neighbourhood Management
- Property Management
- Modernisation
- Central Procurement
- Receivables Management
- Rent Management
- Operating Expenses Management

TechnikServicePlus GmbH
EnergieServicePlus GmbH
LWS Plus GmbH

Separate financial statements of LEG Immobilien AG

As the managing holding company of the LEG Group, LEG Immobilien AG, based in Dusseldorf, performs controlling activities and administrative services for the LEG Group.

As at the balance sheet date of 31 December 2020, the separate entity company is a large corporation within the meaning of section 267(3) sentence 2 of the Handelsgesetzbuch (HGB – German Commercial Code). Since applying for a stock market listing in December 2012, LEG Immobilien AG has been considered a publicly traded company in accordance with section 264d HGB and is subject to section 267(3) HGB.

LEG Immobilien AG went public on 1 February 2013 with the initial listing of its shares on the regulated market (Prime standard) of the Frankfurt Stock Exchange.

LEG Immobilien AG and its direct and indirect subsidiaries are among the largest residential companies in North Rhine-Westphalia. The LEG Group held a portfolio of 145,876 units (residential and commercial) on 31 December 2020.

HGB annual financial statements for 2020

Net income/income statement

The net loss for the 2020 financial year amounts to EUR 17.6 million (previous year: net loss of EUR 16.9 million).

The higher net loss for the year compared to the previous year is essentially a result of non-recurring costs in connection with capital market financing measures and the omission of one-time gains realised in 2019 from the release of the joint venture contract and repurchase of shares in EnergieServicePlus GmbH. This is compensated by the new profit and loss transfer agreement with EnergieServicePlus GmbH and higher income from loans to an affiliated company of the LEG Group.

Based on the approved business planning, a net loss in the low double digit million range was already anticipated for 2020.

Balance sheet

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Balance sheet separate financial statements

€ million	31.12.2020	31.12.2019	Change
Financial assets	5,966.6	5,417.6	549.0
Receivables	36.4	23.2	13.2
Cash and cash equivalents	0.8	4.2	–3.4
Prepaid expenses	32.1	12.9	19.2
Total Assets	**6,035.9**	**5,457.9**	**578.0**
Equity	3,441.6	3,359.0	82.3
Provisions	43.1	18.9	24.2
Liabilities	2,545.4	2,073.8	471.5
Deferred tax liabilities	5.8	6.2	0.0
Total equity and liabilities	**6,035.9**	**5,457.9**	**578.0**

Financial assets increased by EUR 549.0 million to EUR 5,966.6 million (previous year: EUR 5,417.6 million). The change in financial assets mainly relates to a further loan to an affiliated company of the LEG Group.

Prepaid expenses of EUR 32.1 million (previous year: EUR 12.9 million) essentially include discounts resulting from differences between fair value on issue and liabilities recognised at settlement amount.

The equity and liabilities side of the balance sheet comprises equity of EUR 3,441.6 million, liabilities of EUR 2,545.3 million, deferred tax liabilities of EUR 5.8 million and provisions of EUR 43.1 million.

As of 31 December 2020 the equity of LEG Immobilien AG consists of the subscribed capital of EUR 72.1 million, capital reserves of EUR 1,297.7 million, revenue reserves of EUR 1,769.4 million and net retained profits of EUR 302.4 million. In accordance with the Management Board's resolution, EUR 320.0 million was withdrawn from revenue reserves and appropriated to net retained profits in accordance with section 272(3) HGB.

The change in equity compared to the previous year results from the dividend paid of EUR 257.0 million, a capital increase of EUR 357.1 million and the net loss of EUR 17.6 million.

A corporate bond with a volume of EUR 50.0 million was issued in April 2020 and a convertible bond with a volume of EUR 550.0 million in June 2020 in connection with an expansion of capital markets financing. As of 31 December 2020, liabilities of EUR 2,545.4 million comprised convertible bonds with a total volume of EUR 950 million, a corporate bond of EUR 500.0 million, other financial instruments of EUR 1,080 million, other liabilities of EUR 13.4 million, liabilities to affiliated companies of EUR 1.7 million and trade liabilities of EUR 0.3 million.

Provisions essentially consist of a provision for conversion rights in the amount of EUR 38.3 million.

Financial statements

The full HGB annual financial statements of LEG Immobilien AG, with an unqualified audit opinion from the auditor, have been disclosed in the electronic Federal Gazette. They can also be requested from LEG Immobilien AG as a special print and are published on the website of LEG Immobilien AG.

Note to the non-financial report

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To LEG Immobilien AG, Düsseldorf

We have performed a limited assurance engagement on the separate Non-financial group report pursuant to § 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of the LEG Immobilien AG, Düsseldorf, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner´s Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 8 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

NICOLETTE BEHNCKE
(German public auditor)

PPA. JULIANE V. CLAUSBRUCH
(German public auditor)

Glossary

EBIT
Earnings **b**efore Interest and **T**ax
Operating earnings
Consolidated net income before net finance costs and taxes.

EBITDA
Earnings **b**efore **I**nterest, **T**ax, **D**epreciation and **A**mortisation
Consolidated net income before net finance costs and taxes, depreciation on property, plant and equipment and amortisation of intangible assets; depreciation and amortisation also include impairment losses and reversals thereof.

adj. EBITDA
adjusted EBITDA
EBITDA adjusted for net income on the remeasurement of investment of investment properties, net income from the disposal of real estate inventory, net income from the disposal of investment properties, non-recurring project costs and other extraordinary and prior-period expenses and income.

FFO I
Funds **f**rom **O**perations **I**
Funds generated from operating activities LEG calculation: adj. EBITDA adjusted for cash interest expenses and income and cash taxes.

FFO II
Funds **f**rom **O**perations **II**
FFO I plus net income from the disposal of investment properties.

AFFO
Adjusted **FFO I**
FFO I adjusted for investments for capitalized expenditure measures.

EPRA
European **P**ublic **R**eal Estate **A**ssociation

EPRA capex
The EPRA capex splits the **capitalised expenditure** of the reporting period in comparison to the comparative period in several components.

EPRA vacancy rate
Vacancy rate as defined by **EPRA**
Expressed as a percentage being the estimated market rental value of vacant space divided by the estimated market rental value of the whole portfolio.

EPRA Earnings per Share
Net profit or loss for the period attributable to parent shareholders, adjusted for non-cash remeasurement effects of investment properties and derivatives, acquisition costs and aperiodic financing costs and income taxes, that are not classified as current income taxes.

EPRA NAV
Net **A**sset **V**alue as defined by **EPRA**
Net asset value from a shareholder perspective assuming the long-term continuation of the company as a going concern. This value is calculated on the basis of equity which is controlled by the shareholders and eliminates the effects of the market measurement of derivative financial instruments and deferred taxes which correspond to investment properties, derivatives or subsidised loans.

EPRA NNNAV
Triple Net **A**sset **V**alue as defined by **EPRA**
EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.

EPRA NRV
Net **R**einstatement **V**alue as defined by **EPRA**
Recovery value of the company assuming that no assets are sold. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of the fair value measurement of derivative financial instruments and deferred taxes attributable to investment property, derivatives or subsidised housing loans. Incidental acquisition costs are added.

EPRA NTA
Net **T**angible **A**sset as defined by **EPRA**
Net asset value from the shareholders' perspective assuming **long-term continuation** of the business with acquisition and disposal of assets. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of the fair value measurement of derivative financial instruments and deferred taxes attributable to non-current investment property, derivatives or subsidised housing loans. Neither goodwill nor other intangible assets are included in the calculation.

EPRA NDV
Net **D**isposal **V**alue as defined by **EPRA**
Net asset value from the shareholders' perspective assuming a **disposal scenario**. The value is calculated on the basis of the equity attributable to controlling shareholders and eliminates the effects of goodwill. The effects from the measurement of liabilities at current fair value less the resulting deferred tax are taken into account.

EPRA NIY
Net **i**nitial **y**ield as defined by **EPRA**
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA cost ratio
The **cost ratio** is an indicator of the company's operating performance. Administrative and operating expenses are divided by gross rental income, adjusted for leasehold land interests and – unless marked otherwise – directly attributable vacancy costs.

LTV
Loan **to** **V**alue
The ratio of net financial liabilities (not including EK 02 tax liabilities), less cash and cash equivalents to the sum of investment properties, assets held for sale and prepayments for investment properties.

CAPEX
Capital **Ex**penditure
Capitalised cost of modernisation and maintenance work.

Project costs
Project costs include expenses for projects that are largely non-recurring with a complex structure whose goals are to be met within the budget and time provided.

Tables and figures

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To the shareholders

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Financial calendar

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LEG financial calendar 2021

Release of Annual Report 2020	10 March
Release of Quarterly Statement Q1 as of 31 March 2021	11 May
Annual General Meeting (virtual)	27 May
Release of Quarterly Report Q2 as of 30 June 2021	10 August
Release of Quarterly Statement Q3 as of 30 September 2021	10 November

For additional dates see our > website.

The pdf version of our Annual Report was optimised for use on a PC or tablet. The linked tables of contents and the function buttons on each page ensure easy navigation:

- To the main table of contents
- To the intermediate table of contents
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Further information

- Page reference
- Reference to external document

Contact details & imprint

PUBLISHER

LEG Immobilien AG
Hans-Böckler-Strasse 38
D-40476 Dusseldorf
Tel. +49 (0) 2 11 45 68-0
info@leg-wohnen.de
www.leg.ag

CONTACT DETAILS
Investor Relations
Frank Kopfinger
Tel. +49 (0) 2 11 45 68-400
ir@leg.ag

CONCEPT, EDITING DESIGN
HGB Hamburger Geschäftsberichte GmbH & Co. KG, Hamburg

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Domenic Deutscher, Bochum
istockphoto.com
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u. a.

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Thomas Andrae, Hamburg

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LEG Immobilien AG
Hans-Böckler-Strasse 38
D-40476 Dusseldorf
Tel. +49 (0) 2 11 45 68 - 0
info@leg-wohnen.de
www.leg.ag